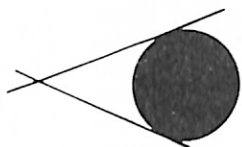


TESTING FRAUD / *Tremors in the chemical industry*



Volume 15, Number 93
\$1.25

FOCUS

MIDWEST

A REVOLUTION IN THE MAKING

**A SPECIAL SECTION
ON COOPERATIVES**

**November critical for
nuclear freeze**

out of focus

*Readers are invited to submit
items for publication,
indicating whether
the sender can be identified.
Items must be fully documented
and not require any comment.*

MISSING CHILDREN "The FBI automatically keeps data on your car if it is missing, but information about your missing child is not similarly collected or kept unless there is evidence of kidnapping or violence. So I introduced a proposed Missing Children Act in the House which would do two things: Put missing children on the national computer and enter information about the more than 1,000 bodies of children and adults each year which now are never identified. The cost of using the existing National Crime Information Center computer for this added purpose would be almost nothing and the benefits of the new service would be great. *Congressman Paul Simon (D., Ill.)*

PROFITABLE TAX RETURNS Almost 34 million 1981 tax returns received by the IRS were prepared by someone other than the taxpayer. Based on the average \$32 tax preparation charge by H&R Block offices (which prepared over ten million returns in 1981), Americans probably shelled out more than a billion dollars to get help with IRS forms.

PEACE IS PRIVATE The Reagan administration told proponents of a federal-financed peace academy that peace research and non-violent conflict resolution should be left to the private sector. Reagan wrote Sen. Spark Matsunaga, D-Hawaii: "I regret to say that we are unable to support the establishment of a national academy of the type proposed. I find it difficult to justify the expenditure of some \$66 million. . . ." Matsunaga, who headed a special federal commission set up to examine a peace academy, argued that the cost of the academy would be "one-tenth the cost of building one B-1 bomber."

St. Louis Post-Dispatch

DEFUNDING THE LEFT The current crusade of the right-wing focuses on "defunding the left"—blacklisting certain groups from federal funding. The April *Conservative Digest* targets 175 such groups, including the Corporation for Public Broadcasting, the American Bar Association and the League of Women Voters.

Interchange

LOVE IT OR LEAVE IT The Citizens Committee for the Right to Keep and Bear Arms in San Francisco have started a campaign called "I Hate San Francisco." The campaign follows a ban on hand guns passed recently by the Bay City supervisors.

Group Research Report

LESS PAPERWORK? One of Missouri Sen. John Danforth's legislative triumphs is the "Paperwork Reduction Act of 1980" which the senator promised constituents would "set controls on the phenomenal number of federal forms that flood out of Washington." It doesn't seem to work quite that way. The IRS recently sent a peculiar notice (number 610, 11-81) to a taxpayer. The message was brief; the tone firm. "The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information." It took *one more form* to tell us about the paper reduction.

HAMMING IT UP The prestigious Simon and Schuster publishing house has announced the October 1982 release of *Cheeks*, described as a photo directory to "the greatest tushes and cutest behinds of the world's sexiest men, at last revealed in luscious full color." The book was compiled by the editors of *Playgirl* magazine.

MISSISSIPPI MUCK A New Orleans college student has begun bottling Mississippi River water for sale in the French Quarter gift shops. The vials carry a guarantee that their contents can "remove paint, kill weeds, and cultivate tumors." The New Orleans municipal water supply contains a wide assortment of harmful elements, including arsenic, cyanide, and mercury salts.

Mother Earth News, #76

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Danforth: Reaganomics on 'right track'

President Ronald Reagan is making rich Americans richer and poor Americans poorer.

That's the conclusion of a study released September 13 by the Urban Institute. The nonpartisan organization claims that about 46 million families with incomes of less than \$15,000 a year will see almost no change in buying power. The poorest of the poor—those served in part by government support—will have income levels cut by four percent, according to the study. For the midwest, the news is even gloomier: a shift in investment will continue to the sunbelt. The administration's tax cuts and budget priorities are widening that gap.

The Urban Institute's study confirms dismal projections and realities that are already well known to readers of *FOCUS/Midwest*.

Item: The Tax Foundation reports in a study released in August that the average American family is worse off than it was ten years ago. In 1980, before Reaganomics, the median after-tax family income was \$8712 in 1972 dollars. The group estimates that for 1984 the after-tax income will be \$8617.

Item: Defense spending continues to increase under Reagan: from 24 percent of the budget in fiscal year 1981 (\$160 billion), to 31 percent of the budget in fiscal year 1984 (\$250 billion).

Item: Unemployment reached 10.8 million in July and has continued at that high level. That number fails to include an additional 1.7 million Americans who have simply given up looking for work and are not included in government reports. Compounding the labor problem is the large number of Americans involuntarily working part-time instead of full-time jobs, a figure exceeding six million, according to AFL-CIO claims.

The Reagan plan for economic recovery has restrained inflation by creating massive unemployment. The Reagan administration has offered platitudes and diversion in the face of business failures and monopolistic mergers.

Clearly, any Reaganomics-supporting incumbent will have to do some explaining to his constituents if he expects reelection in November. Missouri's Senator John Danforth will be no exception, no matter how valiently he attempts to

fudge his record on nuclear proliferation, business regulation, and labor issues.

And Danforth's stand is unequivocal. No Missouri congressman scored higher in 1981 in voting for Reagan-backed issues. No Missouri congressman scored lower in opposing Reagan-backed measures (*FOCUS/Midwest* number 92). Even when Danforth voted with the majority of the U.S. Senate to override Reagan's veto of a fiscal year 1982 supplemental appropriations bill, he issued a statement that explained, "My vote to override the President's veto should not be viewed as a lack of support for the thrust of his economic program. I continue to believe that he is on the right track."

The Missouri senator's reelection bid gives Missourians a perfect opportunity to send the White House a clear message in November.

High court strikes a blow against utilities, for democracy

Union Electric and Southwestern Bell's cheap and crafty effort to deny Missourians a chance to vote on a voluntary consumer lobbying group—the much heralded citizens utility board—unintentionally helped clean up the state's initiative petition process.

In early July, backers of the consumers' utility plan submitted 102,437 signatures to Secretary of State James C. Kirkpatrick, a number considerably higher than those needed to put a statewide issue on the ballot. Union Electric and Southwestern Bell, in collusion with the International Brotherhood of Electrical Workers Local 1455 (representing utility workers), attempted to persuade individual petitioners to withdraw their names from the consumer-backed initiative. Masquerading as "Citizens for Fair Consumer Rights," utility employees convinced over 1600 petitioners that the proposed referendum threatened union jobs and provided Missourians an added, unnecessary bureaucracy.

That organization, no matter how spurious its motives and actions, took legal advantage of discriminatory Missouri statutes which permit a petitioner to withdraw his or her name from a petition after it has been filed with the Secretary of State. The law, however, did not permit petition-backers to add additional names. The withdrawal law put any peti-

tion effort at a profound disadvantage because backers of a measure must anticipate the extent to which opponents—such as consumer-financed utility monopolies—will attempt to raid the ranks of petitioners.

Fortunately, the merits of that argument swayed Missouri's Supreme Court and the court has since reversed a ruling upholding Kirkpatrick's precipitous decision to remove the issue from the ballot. In addition, the court ordered the utility board proposal back on the ballot and struck down, in a 4-3 decision, the name-withdrawal issue.

While Missouri's attention should have been focused on the merits and demerits of the proposed consumer plan, the attempt by St. Louis utilities to subvert the democratic process gives voters a very convincing and emotionally charged reason to support a measure giving consumers representation where they have had none. In a democracy, fortunately, the people, not special interests, will sometimes prevail.

Chicago is so racist even Reagan can look good

According to the 1980 Census, Chicago remains the most segregated large city, and Illinois is still the most segregated state in the nation. According to recent events, Chicago's racial politics are becoming more blatant than ever, even providing the Reagan administration with one opportunity after another to show that it has not given up enforcing civil rights laws.

The humiliation, degradation and dismissal of black administrators and board members from the police, the Board of Education, the Chicago Transit Authority, and the Chicago Housing Authority elicited vigorous protests and boycotts by black and liberal groups in Chicago, and rhetoric from Washington, including the empty threat to cut off federal funds if the executive director and entire board of the racist and wasteful CHA were not removed. (The white executive, a political crony, was promoted to CHA chairman, with a handsome salary boost.)

Mayor Byrne's racially gerrymandered ward map, forced on a reluctant and embarrassed, but obedient, City Council last November, has given the Reagan administration a chance to prove to the nation that it is Gung Ho on civil rights. In mid-

In this issue

This issue focusses on the cooperative movement, from the perspective of Missouri. Robert Mayer, a Kansas City-based consultant to cooperatives, contributed his energies in assembling factual articles written by authoritative activists in the cooperative movement. Essentially, the special 15-page section is a primer on coops. An extensive list of resources is provided for readers who wish to explore the movement in more depth.

And while citizens in the Illinois/Missouri region won't have the opportunity, FOCUS discusses the nuclear freeze resolution which one quarter of the nation will consider in November.

September, the Justice Department declared its intention to intervene (for the good guys) in two citizen suits in federal court contending the Byrne ward map violates the Voting Rights Act of 1965.

The mayor's supporters, as well as opponents, were taken aback by the map prepared in secret (with the help of ex-felon Tom Keane) and rammed through the City Council last November, after Mayor Byrne increased from 10 to 17 the number of aldermen required by state law to offer alternative maps.

This additional humiliation of black officials, which the Chicago Urban League estimates would mean two to four fewer black aldermen than a color-blind ward map would produce, seems gratuitous when one considers the blind obedience and loyalty of Byrne's black officials. These officials, in and out of the Council, are the Mayor's staunchest supporters. Thus, on the ward map vote last November, only six of the 15 votes favoring an alternative map were black votes. The ten other black aldermen voted for the Byrne map (their wards were safe). It is apparent that even these loyal blacks, as well as the independent blacks hounded and smeared by City Hall leaks to the press, are being discredited.

Byrne's insults and slaps at black officials and voters appear designed more to ingratiate Byrne with white racists than to ward off the threat of a successful black mayoral candidate.

In the meantime, the Reagan administration's unprecedented invocation of the Voting Rights Act against a major city can reinforce the President's defense that it is "plain baloney" to label his enforcement of civil rights laws as tepid at best. And Mayor Byrne's stout defense of her racist map may win even enough white racists from Richard H. Daley—the likely opponent—to insure her election in 1983.



missouri politics

Blacks win in Kansas City, St. Louis

Solid support from black voters and a respectable showing in predominantly white areas—that combination spelled victory for black congressional candidates William Clay and Alan Wheat in Missouri's Aug. 3 primary election.

Incumbent Democrat Clay soundly defeated an aggressive primary challenger in the St. Louis area 1st District. In the open 5th District, which includes Kansas City and its suburbs,

state Rep. Wheat's 30 percent of the vote was enough to earn first place in a crowded Democratic primary field.

Clay's impressive margin over state Rep. Alan Mueller was a surprise to those who thought redistricting might cause problems for the incumbent. The remap brought Clay more than 200,000 new constituents and made whites the majority among registered voters in the 1st.

Many of the newly added people live in white, working-class Catholic areas of St. Louis County. Mueller tried to woo them by emphasizing his support for labor and his opposition to abortion and busing.

Clay worked hard to mobilize voters in the predominantly black St. Louis city portions of the district where turnout is traditionally low. And he made a strong pitch to organized labor, which has supported him in the past.

Clay won St. Louis 6 to 1, taking some black city wards by margins exceeding 25 to 1. In the county, Clay won majorities in white liberal areas, in some blue-collar communities and

in middle-class black enclaves. Mueller fared well in areas staunchly opposed to abortion and busing. His overall county advantage was 3 to 2.

The GOP primary in the 1st nominated William E. White, who lost to Clay in 1978 and 1980.

Though the population of the 5th District is only one-quarter black, Wheat won the Democratic nomination by uniting Freedom Inc., a black political organization that mobilizes the inner-city voice, with a considerable number of moderate-to-liberal southwest Kansas City whites.

Finishing a close second was Independence City Councilman John Carnes, a more conservative candidate. He was the dominant vote-getter in suburbs outside Kansas City and in blue-collar north and northeast Kansas City.

The GOP primary winner, state Rep. John A. Sharp, split the Kansas City vote with James H. Lyddon. But Sharp's better showing in the suburbs gave him an edge.

In the Democratic U.S. Senate pri-
continued on page 7

Official Missouri primary results

SENATE

Candidate	Residence	Vote	Percent
Burleigh Arnold (D)	Jefferson City	139,960	23.8
* Harriet Woods (D)	University City	258,358	43.9
Thomas E. Zych (D)	St. Louis	35,545	6.0
Tom Ryan (D)	St. Louis	71,695	12.2
Larry D. Hurt (D)	Poplar Bluff	9,943	1.7
Herb Fillmore (D)	Independence	10,762	1.8
Judith L. Soignet (D)	Webster Groves	4,161	0.7
Lee C. Sutton (D)	Columbia	12,229	2.1
Sidney L. Phillips (D)	Sumner	8,505	1.4
Theodis Brown (D)	St. Louis	5,306	0.9
Betty Jane Jackson (D)	Steele	31,741	5.4
* John C. Danforth (R)	Newburg	206,912	73.1
Mel Hancock (R)	Springfield	60,570	21.4
Vernon Riehl (R)	Chesterfield	7,544	2.7
Gregory Hansman (R)	University City	7,953	2.8

HOUSE

District 1: North St. Louis, northeast St. Louis County

* William Clay (D)	St. Louis	72,678	60.5
Al Mueller (D)	St. Louis	45,434	37.9
Thomas R. Colyer (D)	St. Louis	203	0.2
Elsa Debra Hill (D)	St. Louis	504	0.4
Jay Miller (D)	St. Louis	392	0.3
Felix J. Panlasigui Sr. (D)	University City	362	0.3
Ronald C. Townsend (D)	Florissant	472	0.4
* William E. White (R)	St. Louis	3,032	39.4
Norbert D. "Cousin" Collins (R)	St. Louis	427	5.5
Jonathan M. Harris (R)	St. Louis	1,702	22.1
Hugh V. Murray (R)	St. Louis	2,533	32.9

District 2: Western St. Louis County, St. Charles

* Robert A. Young (D)	Maryland Heights	51,310	86.4
Edward Phelan Roche (D)	Maryland Heights	8,009	13.6
* Harold L. Diekmann (R)	Creve Coeur	Unopposed	

District 3: South St. Louis, Southeast St. Louis County, Jefferson County

* Richard A. Gephardt (D)	St. Louis	Unopposed	
* Richard Foristel (R)	St. Louis	11,839	42.9
Doris M. Bass Landfather (R)	St. Louis	7,374	26.7
Roy C. Amelung Jr. (R)	St. Louis	8,371	30.3

District 4: West—Kansas City suburbs, Jefferson City

* Ike Skelton (D)	Lexington	Unopposed	
* Wendell Bailey (R)	35,353	85.5	
Dale L. Parvin (R)	Eldon	6,016	14.5

Candidate	Residence	Vote	Percent
District 5: Kansas City and eastern suburbs			
* Alan Wheat (D)	Kansas City	21,280	29.2
John Carnes (D)	Independence	20,273	27.9
Jack L. Campbell (D)	Kansas City	16,194	22.3
Andrew McCance (D)	Kansas City	2,025	2.8
Jim Kenworthy (D)	Kansas City	6,778	9.3
William C. Paxton (D)	Independence	1,975	2.7
John Masterman (D)	Kansas City	2,332	3.2
John Price (D)	Kansas City	1,911	2.6
Mike Ethington (R)	Independence	3,726	16.1
James H. Lyddon (R)	Kansas City	5,640	24.4
Joanne M. Collins (R)	Kansas City	2,086	9.1
* John A. Sharp (R)	Kansas City	6,621	28.7
Emmett Roach (R)	Kansas City	937	4.1
Barry Seward (R)	Raytown	3,096	13.4
Stella Sollars (R)	Kansas City	939	4.1

District 6: Northwest—St. Joseph

David C. Christian (D)	Kansas City	17,194	28.6
* Jim Russell (D)	Savannah	32,656	54.3
J. Herbert Francisco (D)	Cameron	3,221	5.4
Rex S. "Barry" Taylor (D)	Kansas City	7,101	11.8
* E. Thomas Coleman (R)	Kansas City	25,342	91.4
Robert L. Buck (R)	Hamilton	2,383	8.6

District 7: Southwest—Springfield, Joplin

* David A. Geisler (D)	Springfield	18,418	73.6
Bill Dailey (D)	Springfield	3,034	12.1
James W. Roberts (D)	Joplin	3,584	14.3
* Gene Taylor (R)	Sarcovie	Unopposed	

District 8: Southeast—Cape Girardeau

* Jerry Ford (D)	Cape Girardeau	40,547	58.4
Frank X. Hastings (D)	Bloomsdale	15,288	22.0
John L. Woodward (D)	Cuba	13,654	19.6
* Bill Emerson (R)	Cape Girardeau	Unopposed	

District 9: Northeast—Columbia

* Harold L. Volkmer (D)	Hannibal	Unopposed	
* Larry E. Mead (R)	Columbia	18,438	81.3
Nandor "Fred" Hettig (R)	Leslie	4,238	18.7

* Nominee

† Moved from the 8th District
Incumbent congressmen: *Italics*

Blacks win

continued from page 6

mary, state Sen. Harriet Woods' grass-roots network and personable campaign style gave her a comfortable win over Democratic National Committeeman Burleigh Arnold. Woods enjoyed a wide lead in the St. Louis area and carried Jackson County (Kansas City) and most of the rural counties. Incumbent GOP Sen. John C. Danforth breezed to renomination.

Issues dominate Woods, Danforth senatorial race

By Fred Beaumont

State Senator Harriett Woods may have trounced her competitors in the Democratic race for U.S. Senator, but the race against incumbent Sen. John Danforth is an uphill fight.

Both Woods and Danforth are veteran Missouri leaders: Woods is credited for keeping the liberal wing of Missouri's Democratic party alive and kicking and Danforth is recognized as the man that put new vigor in Missouri's GOP and new Republican faces into state government.

Of course, Danforth has not had an easy time of it. As a Republican moderate, he has had to fend off right-wing party critics who have challenged his commitment to the pro-life lobby and related conservative issues. Last year, some party dissidents charged Danforth wasn't muscling enough Republicans into patronage jobs. On the other hand, liberal detractors claim Danforth is just a millionaire frontman for business, intent on dismantling government regulations and restraints. Indeed, Danforth has led the charge in cutting the Federal Trade Commission's regulatory powers and those efforts have been rewarded with a public whipping by consumer-activist Ralph Nader.

But Danforth has managed to surprise some consumer watchdogs with his leadership on some ballyhooed issues: his opposition to delaying the automobile air-bag installation deadline and his support for the Consumer Product Safety Commission. Danforth cuts into other traditionally liberal constituencies with his opposition to a peacetime draft and opposition to the right-to-work movement.

Like many other politicians, Danforth has embraced the concept of a

nuclear freeze—although he opposes the Kennedy-Hatfield resolution. Woods will have a hard time convincing voters that a vote for Danforth will be a vote for Reaganism. Indeed, Republican State Chairman John Powell was at pains to convince GOP regulars last year that Danforth was voting with the Reagan administration on every issue.

If—besides Reaganomics—anything stands in the way of a Danforth victory in November, it will be a public perception that he is not in touch with his constituency. An heir to the

Ralston Purina fortune, the Senator is among the wealthiest legislators in Washington. Danforth has strong financial backing from corporate political action committees and the state's business community. Between January 1 and June 30, Danforth raised \$690,873 and spent 59.6 percent humbling three challengers. Woods, on the other hand, spent 54.4 percent of her \$182,925 attempting to stay in front of 10 other Democrats. Danforth's three-to-one financial advantage over his Democratic challenger may prove the key to his reelection.

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illinois politics

Will Byrne sit out Stevenson, Thompson race?

The political fortunes of Republican Gov. James R. Thompson may have rebounded as he apparently widens the margin between himself and Democratic challenger Adlai E. Stevenson III.

The latest polls show Thompson with a lead over Stevenson, a former U.S. Senator and scion of an illustrious Illinois political family. Indeed, a mid-September poll by Stevenson's campaign confirmed Thompson's lead.

The political winds blowing across the nation have made the economy the number one issue in many races, and the Illinois gubernatorial race is no exception. Stevenson has focused on Illinois' faltering economy and has proposed ambitious policies to stimulate productivity. While the Democrat is proposing a major thrust into economic planning by the state government, Thompson is taking the heat for cutbacks resulting from declining state revenues. Austere budgets have soured Chicagoans in particular on the Thompson administration.

But Chicago, which proves critical in any statewide race, has not rushed to embrace the Stevenson candidacy. A major Stevenson turnout in Chicago is necessary for a Democratic victory. But the Chicago Democratic party, led by Mayor Jane Byrne, has never enjoyed close relations with the ex-Senator. When Stevenson was tallying up pledges of support from Democratic powerbrokers last fall, Byrne loyalists noticeably bided their time before jumping on the bandwagon.

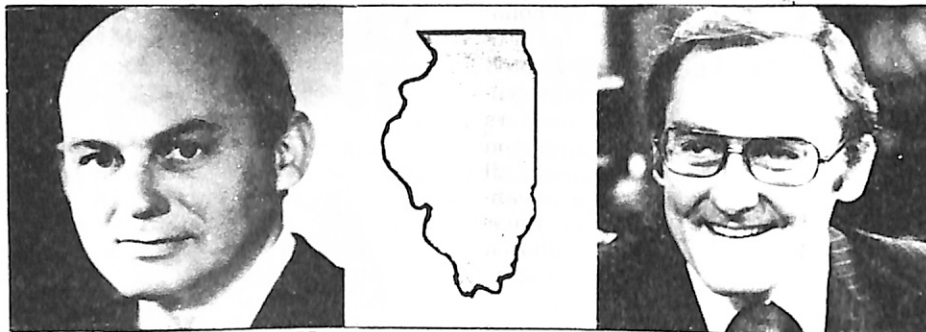
Other factors will also influence the vote. The ERA will play a role, though it is not clear whether it will be a pivotal issue. Both Thompson

and Stevenson supported the proposed amendment, though ERA supporters charge the governor did little during the waning days of the legislative fight to pass it. Women voters are lining up behind both candidates equally. If the "ERA backlash" has any victims, it might very well be in the lieutenant governor race in which House Speaker George Ryan (R, Kankakee) is pitted against Mary Stern, Democratic Lake County clerk. Ryan played a controversial role in the ERA floor fight earlier this year.

Stevenson has conducted his campaign, charge critical supporters, as though he wants the office of governor presented to him. He is running as a statesman of sorts, relying on an

almost 100 percent statewide name recognition to do the image-building work usually delegated to campaign pollsters and consultants.

For his part, Thompson claims he should be retained in office because he's provided the leadership necessary to keep Illinois from suffering during the recession—a Thompson slogan is typical: "Tough times demand a tough leader." If Thompson can shake the monkey on Republican backs—Reaganomics—and convince Illinois voters of his claim that Stevenson is a gun-hating, ERA-loving, introspective, do-nothing former U.S. senator, Thompson will be calling Springfield home for another four years.



Adlai E. Stevenson III

James R. Thompson

Tradition revived: Byrne-Thompson deal

Democratic Chicago mayors and Republican Illinois governors have relied on a collaborate relationship that until 1981 provided a measure of compromise and trade-off in a state divided politically and economically.

In the September 1982 *Illinois Issues*, Milton Rakove, professor of political science at Northwestern, notes that this arrangement has worked well during the administrations of Mayor Richard J. Daley and Republican Governors William G. Stratton and Richard B. Ogilvie.

For example, Daley supported Stratton's sales tax measure in exchange for a percentage of the tax for Chicago. Stratton helped Daley take control over Chicago's budget. Ogilvie received Daley's support for a state income tax, but Daley made sure to pin all the "credit" for passing the tax on the governor. Daley slated weak Democratic gubernatorial candidates; Stratton and Ogilvie did nothing to support Republican opponents to the Daley machine.

Democratic Mayor Jane Byrne and Republican Gov. James Thompson attempted to continue this tradition of collaboration, striking a deal to

share federal mass transit funds. Downstate Illinois, Republican territory, and Chicago, Democratic property, were both to receive federal monies for roads and transit needs. Reagan budget-cutting destroyed the deal, and for the first time in recent memory, a Chicago mayor and the governor split publicly and dramatically. Rakove reports that the ruckus is now muted with Byrne and Thompson's recent deal to postpone their mutual financial problems until their reelection campaigns are over. Hence, Byrne isn't doing much for Thompson challenger Adlai Stevenson III and Thompson is keeping his hands off Chicago's developing mayoral battle.

Rakove notes that the renewed collaborative relationship between governor and mayor may be meaningless to Illinois voters. If Thompson and the Republicans are saddled with failing Reaganomics, even downstate Illinois isn't "safe" territory for the GOP. And as for Chicago, the Daley machine can't control the pivotal Cook County suburbs and, even more importantly, cannot be relied on to deliver Democratic votes.

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Moderate outside earnings for area senators

By Ross Evans and
Colleen McGuiness

Missouri and Illinois senators failed to take advantage in 1981 of a law they helped pass which eliminated the cap on outside earnings from honoraria. One-quarter of the U.S. Senate did break the \$25,000 ceiling which was lifted September 24, 1981.

Congressional Quarterly reports that the tendency to take more honoraria income was especially pronounced among senators who voted in favor of raising the earnings ceiling. However, Missouri Senators John Danforth and Thomas Eagleton and Illinois Senator Charles Percy all supported, but did not take advantage of the measure. Illinois junior Senator Alan Dixon had opposed raising the cap on outside earning income.

The average total of honoraria fees reported by the 98 senators who were in office during 1981 and filed complete disclosure forms was \$17,626. Among Missouri and Illinois senators, the average total of honoraria fees was \$12,862.50. The average earnings after charitable donations were subtracted from the fees—the earnings that would have been subject to the old limit—was \$15,835.

The median for such earnings was \$16,150—that is, half the 98 senators earned more and half earned less.

Highest earners

Jake Garn, R-Utah, had the highest honoraria earnings. He reported fees of \$48,000 and donated none of it.

Ranking second in the amount of honoraria kept was Majority Leader Howard H. Baker Jr., (R., Tenn.), who reported earnings of \$41,000 after donations (\$4,000 before). He was followed by Charles McC. Mathias Jr., (R., Md.), with earnings of \$37,850 after donations (\$38,950 before).

Republicans tended to earn more from honoraria than Democrats did.

The median earnings figure (after donations) for Republicans was \$22,290; the median for Democrats was \$10,365. Among the 25 senators

who reported earnings of more than \$25,000, 20 were Republicans.

In all, 89 of the 98 senators reported honoraria fees, and 19 reported specific contributions to charity. Seventy of the 98 senators reported honoraria but no donations.

Congress lifted limit

The \$25,000 limit had been contained in the 1976 Federal Election Campaign act. But it was lifted for senators in 1981.

The limit had applied to the total of all honoraria that amounted to at least \$100 from any single source—minus charitable donations, expense reimbursements and agents' fees.

A separate provision of the law was unaffected by the change. This provision limits the amount of each honorarium—with the same deductions—to \$2,000.

Earnings, vote linked

The 1981 change in the law affecting senators survived a close roll-call vote Sept. 24, when an amendment by William Proxmire (D., Wis.) to retain the old limit was defeated 43-45.

The financial reports for 1981 show a strong correlation between senators' earnings and their vote on Proxmire's amendment. Among the 98 covered by the CQ study, senators who voted to lift the \$25,000 ceiling tended to earn more in honoraria (after charitable donations) than those who voted to retain the cap:

- The median earnings figure for senators voting to lift the cap was \$24,750; the median for those wishing to keep it was \$10,000.

- Of the 45 senators voting to eliminate the ceiling, 21—almost half—reported earnings above \$25,000; three had zero earnings.

- Of the 41 current senators (not including Thurmond) who voted against changing the law, seven reported zero earnings. Only three reported earnings above \$25,000.

- Fifteen of the 98 senators reported zero earnings, and three of them voted to lift the limit.

Proxmire, the sponsor of the unsuccessful effort to retain the old limit, ranked above average in earnings but still below what the ceiling would have been. He reported \$19,813 in honoraria fees, none of it donated.

Senators' honoraria

Following is a list of honoraria reported by Missouri and Illinois senators for speeches, appearances or articles during 1981. The list also includes reimbursements of \$250 or more for travel and expenses in connection with such activities.

Honoraria passed on to charitable organizations are marked "donated."

John C. Danforth, R-Mo.: \$13,500; American Council of Life Insurance (\$2,000); Insurance Company of North America (\$1,000); Tax Foundation (\$500); Ernest Wittenberg Associates Inc., Senate Leadership Seminar (\$2,000); Productivity Inc. (\$2,000); Edison Electric Institute (\$1,500 and round-trip travel Washington, D.C./Kansas City); Chemical Manufacturers Association (\$1,000); Bendix Corp. (\$500); Grocery Manufacturers of America (\$1,000); United States League of Savings Association (\$2,000).

Alan J. Dixon, D-Ill.: \$17,000; Hotel and Restaurant Employees and Bartenders International Union (\$1,000); Swift & Co. (\$1,000); Futures Industry Association (\$2,000, round-trip travel Washington, D.C./West Palm Beach, Fla., food and lodging for self and spouse); Washington Discussion Group (\$1,000); Marex International (\$1,000); The Capitol Forum (\$1,000); National Association of Manufacturers (\$500); Bank Administration Institute (\$1,000); Container Corporation of America (\$1,000 and round-trip travel Washington, D.C./Chicago); Pfizer Inc. (\$1,000); Northrop Corp. (\$1,000); American Jewish Congress (\$2,000, round-trip travel Washington D.C./Chicago and lodging); Allied Chemical Corp. (\$1,000); Southern Illinois Builders Association (\$500 and round-trip travel Washington, D.C./St. Louis); Outdoor Advertising Association of America (\$1,000); Association of Bank Holding Companies (\$1,000, round-trip travel Washington, D.C./New Orleans and lodging); Illinois Education Association (travel Washington, D.C./Chicago, food and lodging); State of Israel Bonds (lodging); Illinois Federation of Teachers (round-trip travel St. Louis/Chicago); Illinois Manufacturers Association (round-trip travel Washington, D.C./St. Louis and lodging); First National Bank of Belleville (round-trip travel Washington, D.C./St. Louis and lodging); Illinois State United Steelworkers of America (round-trip travel Washington, D.C./St. Louis and lodging); Electronic Funds Illinois Inc. (round-trip travel Washington, D.C./Chicago and lodging); Chris Hill (round-trip travel Washington, D.C./Champaign, Ill., and lodging); Association for Modern Banking in Illinois (round-trip travel Washington, D.C./Chicago); Jewish United Fund of Metropolitan Chicago (round-trip travel Washington, D.C./Chicago and lodging); Thomas Jefferson Educational Foundation (round-trip travel Washington, D.C./Peoria, Ill.); Country Companies Agency Managers Association (round-trip travel Washington, D.C./Chicago).

Thomas F. Eagleton, D-Mo.: \$9050.00; National School Boards Association (\$1,000); Illinois Public Health Associates (\$2,000, round-trip travel Washington, D.C./Springfield, Ill., and lodging); The Brookings Institution (\$200); New York University (\$1,000); The Washington Campus (\$750); Albert and Mary Lasker Foundation Inc. (\$1,500, round-trip travel Washington, D.C./New York City and lodging); Cemrel Inc. (\$500); Mortgage Bankers Association (\$2,000 and round-trip travel Washington, D.C./New Orleans); National Council of Local Administrators of Vocational, Technical and Practical Arts Education (\$100).

Charles H. Percy, R-Ill.: \$11,900.00; Republic National Bank of New York (\$2,000); Lincoln Club (\$1,000 and round-trip travel Washington, D.C./Los Angeles for self and spouse); Aluminum Association (\$2,000, round-trip travel Washington, D.C./White Sulphur Springs, W.Va., food and lodging); IMPACT (\$100); Government Research Corp. (\$1,000); Illinois Bankers Association (\$2,000 and round-trip travel Washington, D.C./Chicago); Estech General Chemicals Corp. (\$1,500); Food Marketing Institute (\$2,000); *Foreign Policy* magazine (\$300); The Canadian Pugwash Group (round-trip travel Washington, D.C./Calgary, Alberta, and lodging for self and spouse).

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TESTING FRAUD

*Federal indictments send
tremors through chemical industry*

By
Judith Miller and Mark Miller

Industrial Bio-Test (IBT) was the largest testing lab in the country. It conducted about one-third of the toxicity and cancer testing of chemicals in America—as many as 22,500 safety tests over the last decade. The firm was respected and employed by both government and industry. That respect has since crumbled in the wake of startling and unsettling revelations.

On June 22, 1981, the former president of IBT, and three ex-subordinates were indicted for allegedly fudging health tests on four chemicals. The government alleges that tests were fraudulently conducted on TCC, an antibacteria agent used in deodorant soaps, naprosyn, an arthritis medication, and sencor and nemacur, both pesticides.

The indictment casts a shadow over hundreds of similar tests conducted during IBT's nearly 30 years of existence. Corporate clients who manufacture drugs, dyes, plastics, pesticides, food additives and cosmetics, have been advised to have IBT-tested chemicals retested.

Named in the indictment were Dr. Joseph Calandra, former IBT president and founder, Dr. Moreno Kepinger, a former Toxicology manager, Dr. Paul Wright, former Toxicology head, and James Plank, a former Tox-

icology manager. Each was charged with four counts of giving false documents to the government, three counts of mail fraud, and one count of wire fraud. (Dr. Wright is now working for Monsanto.)

IBT had concluded that the four chemicals were safe and didn't cause cancer or birth defects; but, when FDA inspectors went inside IBT in 1976, they found so much grossly flawed work that everything IBT ever tested became suspect. Word of the scandal spread like a cloud over the entire industry. Clients rushed to take their business elsewhere. IBT was sold, and some facilities were closed.

Monsanto connection

Details of a test IBT performed on one Monsanto product, TCC, illustrate the extent of the alleged IBT fraud. St. Louis-based Monsanto manufactures TCC as an antibacterial agent in the major brands of deodorant soaps. According to FDA microbiologist Dr. Mary Bruch, "Virtually all antimicrobial soaps on the market today contain TCC."

According to FDA documents on IBT's test of TCC, "During the inspection, numerous irregularities were uncovered in this study. Preliminary indications at this time are

that IBT made false statements in their original reports to the FDA."

A memo from the FDA's Ronald Britten amplifies this allegation: "Review of the raw records . . . on TCC did not verify that the study was accurately recorded. Of particular concern was the failure to provide assurance that the animals on test were kept segregated as to their treatment group or even their study. False information regarding the manner in which the study was structured and performed, false mortality data, and false laboratory data, were submitted to the government. . . . The false submissions . . . appear to me to have the effect of making the study and the drug (TCC) look better than they are. . . . I recommend that an investigation of possible fraud be considered."

What did IBT do on TCC to make regulators cry "fraud"? For starters, most or all records on some rats had disappeared. After the test was underway for three months, additional animals were suddenly added "in case they were needed," IBT explained. If partway through the study a rat died, it was replaced by another living rat which was then assigned the identification number that the dead rat had had. IBT wrote an

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interim report after one year and a final report at the two-year termination date; but, the first-year report said there had been no deaths during the first six months of the study, whereas the second-year report said thirty-three rats died during the first six months.

Senator Edward Kennedy (D., Mass.), chairman of the Subcommittee on Health and Scientific Research quizzed the FDA's Dr. Richard Crout about the safety of TCC-containing soaps in March 1977 hearings: "You have got a safety study that is completely unjustified or unwarranted, deficient, is that correct?"

"That is correct," replied Crout.

Kennedy pressed further: "You have got probably millions of Americans using that particular product?" Crout replied, "All those who wash, as far as we know."

Monsanto did not agree that the IBT study was deficient. In March 1977, Monsanto argued that the study "was conducted in accordance

with protocols and practices consistent with those used in most laboratories at that time." The fact that IBT mixed up animals did not disturb Monsanto; for, the company claimed, "Identification of individual animals is not considered necessary to observe and document gross and microscopic effects." Monsanto therefore concluded that "We do not believe that the study conducted by Industrial Bio-Test needs to be repeated."

What if an animal develops a tumor? To determine whether the tumor is cancerous or benign, it must be examined under a microscope. If the specimen looks like cancer, it becomes important to be able to identify which animal the specimen came from in order to know whether the animal belonged to the group getting the drug being tested, or whether it came from the "control" group, i.e. animals not getting the drug. Monsanto's claim that individual identification of test animals was not necessary contradicts accepted testing

procedures.

A common method of keeping track of test animals is ear-tagging—each animal has a metal tag bearing its number clipped on its ear. IBT, for unexplained reasons, had stopped ear-tagging to identify test animals in its TCC test. According to an FDA examiner who interrogated Dr. Calandra, "He was not aware that animal ear-tagging had been discontinued." Tagging wasn't resumed until the TCC test was history.

Nonexistent tagging still doesn't explain nonexistent records. According to IBT, there was supposed to be a one-to-one correlation between the number of tests animals and the number of files on those animals. On the TCC test, however, some animals' files were missing. The FDA examiner noted that Calandra confessed that, "there is no excuse for missing records. He said he has always been concerned about competence of employees. He said he once fired a technician for penciling in animal body weight data without actually doing the weighings."

On March 25, 1977, Dr. Calandra resigned as IBT president.

Meanwhile in March 1977, Monsanto sent Senator Kennedy a letter. It read, "Monsanto Company applauds the efforts of the Health Subcommittee . . . to investigate potential abuses in nonclinical [i.e., animal] laboratory test procedures by laboratories [e.g., IBT]. If abuses are found we hope the Subcommittee will recommend remedial action. This would clearly serve the national interest and such action is consistent with Monsanto's own interest."

Although the firm publicly expressed an interest in cooperating with investigators, it had previously fought efforts by FDA inspectors to gain access to the TCC records.

Monsanto and IBT did eventually release test data to the government, making the need for retesting unavoidable. Monsanto, which had a huge financial stake in the chemical, did the safety test on its product itself. Meanwhile, TCC-containing products *remained* on the market, even though the chemical's effects were unknown.

Monsanto scientists have now redone the animals tests themselves. The FDA accepted the results and approved use of the products.

Ironically, in 1974, an FDA panel had written that they are concerned "that consumer use of the ingredient

IBT a pioneer in toxicology testing

IBT was started in 1952 by Dr. Joseph Calandra, a Northwestern University Medical School pathologist.

It was a subsidiary of the Nalco Chemical Company, headquartered in Northbrook, Illinois with additional test centers in Decatur, Illinois and Wedges Creek, Wisconsin. IBT pioneered in a field which came into vogue with the advent of federal law requiring that chemicals be proven safe on subhuman animals before they are used on humans.

The field, toxicology, involves the testing of chemicals on animals, usually rats or mice, to see whether cancer, genetic damage, or ill effects are induced. Animals are dosed over most of their lifespan, 2 to 3 years in the rat's case, because some cancers do not become fullblown until old age, even though the chemical exposure which caused it took place only as a pup. A chemical found to induce cancer is called a carcinogen.

Government and corporate clients farmed out tests to IBT.

IBT displayed a knack for cornering contracts, according to a rival enterprise, by allegedly always underbidding the competition by 25 percent.

Government agencies for whom IBT performed tests are the Army, Department of Defense, Environmental Protection Agency, Food and Drug Administration, National Cancer Institute, Occupational Safety and Health Administration, and Department of Agriculture. Corporations paid IBT to test a chemical for them, or else put a chemical IBT tested for another client in one of their products. A partial list of such corporations includes Monsanto, Procter and Gamble, Armour, Syntex, Sandoz, Morton-Norwich, Lederle, Newport, Velsicol, International Chemical and Nuclear, Abbott, Ciba-Geigy, Upjohn, Dow, 3M, Uniroyal, Chevron, Gulf, Phillips, Shell, Diamond Shamrock, Chemagro, and American Cyanamid. At least 100 different pesticide manufacturing firms did business with IBT.

Americans not only ones in danger

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(TCC) may occur before adequate research is conducted."

Shredding documents

Dr. Alvin Frisque, who became IBT president when Calandra left, agreed to review all IBT studies. In an FDA document, Frisque is quoted as saying that "90 percent of these studies probably have moderately serious to serious problems." Next came a report, ultimately confirmed, that the boys at IBT were shredding documents.

If Frisque was right, Americans aren't the only ones possibly in danger. The World Health Organization relied heavily on IBT test results in setting human-exposure standards for potentially dangerous chemicals. An example of global shockwaves set off by IBT is the pesticide Phosvel, which IBT tested and found safe. IBT's results allowed its manufacturer, Velsicol Chemical of Chicago, to market it for use on tomatoes and lettuce in a variety of foreign nations, including Australia, Canada, Columbia, Dominican Republic, France, Guatemala, India, Israel, Kenya, Malaysia, Pakistan, Philippines, Taiwan, and South Africa.

The U.S. is not listed because EPA began to question the quality of the IBT test two months after EPA gave Phosvel the go-ahead. Domestic sales were put in limbo while foreign sales proceeded.

EPA detectives paid a visit to IBT. IBT had tested Phosvel on chickens to see if the substance damaged nerve tissue. Such damage can be determined from examining the test bird's nerve tissue.

The report IBT submitted to regulatory agencies concluded that microscopic examination of nerve tissue from Phosvel-fed chickens "did not reveal any evidence of demyelination [i.e. destruction of the sheath which wraps around nerves]." According to the EPA examiner, however, on one slide "The [microscopic] sections of the nerves were highly questionable and unreadable. They could not be evaluated because of the thickness and fading of stains. . . . It is doubtful whether they were readable even in 1969 [when IBT ran the test]." Regarding another chicken, he said, "These slides were also highly questionable and again could not be evaluated. In . . . my opinion these slides have been impossible to evaluate from the time they were prepared. In summary . . . the experimental evi-

dence was inconclusive and should be repeated."

But microscopic vision is not needed to sense symptoms indicative of a nerve toxin. IBT records reported one chick that had "no control of legs," another walked "very unsteady," a third "cannot remain standing."

Of course it is hard to predict what's going to happen to man on the basis of a chicken test.

But, in fact, it happened to several men. On June 9, 1975, Velsicol got this letter from a physician at the plant where Phosvel was made: "There have been a series of unusual central nervous system illnesses occurring amongst the employees of [the Phosvel plant]. Apparently, most of the illnesses occurred among those who were in contact with [Phosvel. One worker . . .] began to develop . . . bizarre central nervous system symptoms which was followed by his being hospitalized . . . with the diagnosis of encephalomyelitis [inflammation of the brain and spinal cord] for eight months. . . . The patient was severely ill, almost died, and was then left with a number of residual nervous system deficits. . . . There have been at least two individuals employed in this shop who had a diagnosis of multiple sclerosis, another with a history of seizures and hallucinations, and fairly recently, still another

with a diagnosis of encephalitis (brain inflammation). . . . I advise that the company seriously consider halting the manufacture of [Phosvel] until these matters are clarified."

The EPA banned Phosvel November 22, 1976; but, according to a report from another Senate subcommittee, "while Phosvel was never registered by EPA . . . in the United States, the agency . . . did permit the import of . . . Phosvel-treated commodities into the United States from other countries . . . , which raised the possibility that the U.S. may still [in December 1976] be importing Phosvel-contaminated foodstuffs from other countries."

The FDA and EPA asked the Justice Department to seek criminal indictments against IBT. The case was assigned to the U.S. Attorney in Chicago.

By the time the indictments were handed down, IBT was no longer in business; nevertheless, the actions of four former IBT bigwigs will not be swept under the rug. Their guilt or innocence will be determined in federal court.

Irrespective of what the court concludes, what may never be determined are the hidden dangers to health that have resulted from the four IBT-tested chemicals and other, yet unknown and fraudulently tested chemicals.

Farewell to the Florida panther.



No one knows how many Florida panthers are still alive. Perhaps fewer than 100. If these mountain lions die, another creature will be gone from the earth forever . . . the victim, first, of predator elimination programs, and more recently, of ever-shrinking habitat. But we don't have to bid farewell to the Florida panther.

The National Wildlife Federation has awarded a grant to researchers to study the panther and its future . . . and to draw up a plan for saving it. That's just one small example of how the National Wildlife Federation is working to save endangered species from extinction. You can be a part of the effort. Join the National Wildlife Federation, Department 108, 1412 16th Street, NW, Washington, DC 20036.



November critical for nuclear freeze

By George Palmer

At a press conference in 1955, President Dwight D. Eisenhower was questioned about the need to accumulate ever greater stocks of nuclear weapons. "There comes a time," he responded, "when a lead is not significant in the defensive arrangements of a country. If you get enough of a particular type of weapon, I doubt that it is particularly important to have a lot more of it."

At a time when one U.S. Poseidon submarine could theoretically destroy every large- and medium-size Soviet city, Americans are increasingly given to questioning the need for a nuclear stockpile fifty times that large.

Moreover, Americans of quite dissimilar views have been brought together by the insidious and irrevocably poisonous nature of nuclear destruction. Justified fear of a nuclear holocaust fueled by an intensification of the cold war have marshalled public sentiment in favor of a freeze in

the production of nuclear weapons in every state of the union.

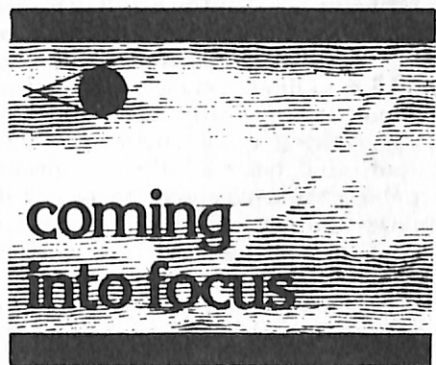
The purpose of the national headquarters of the Nuclear Weapons Freeze Campaign, located in St. Louis, is to collect and disseminate information. It has no grand designs to mastermind the campaign. Indeed, it has difficulties keeping abreast of events at the grassroots. The movement from the beginning has had a momentum of its own, in some areas becoming a state issue, in others remaining local.

In February 1982 in Denver the Freeze Campaign held its first annual National Conference. The 300-400 people present were given information about circulating petitions, lobbying state legislators, fund-raising, etc. They were also informed that while they could count on some assistance from the national Freeze office, the representatives of each state had to decide for themselves exactly how to proceed in their states. Did they want to try to place a Freeze referen-

dum on the November 1982 ballots? If so, would this be accomplished through an initiative (collecting enough voter signatures) or the action of the state legislature? Did they want to try to get referenda on county or city ballots? Or did they simply want to generate some local or statewide support for the idea of a Freeze?

The Freeze Campaign is being built from the bottom up and the national headquarters is doing what it can to keep up with developments. "We didn't even know there was any Freeze activity in North Dakota, for instance, until these wonderfully detailed reports began coming in from an organizer there," says National Freeze Co-director Barbara Roche. When this reporter contacted Referendum Coordinator Ben Senturia to get facts and figures about Freeze referenda in the various states, he commented slightly wistfully, "I wish I had all that information to give you. Things have just been happening too

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Victimized by nuclear testing

By Congressman Paul Simon

At his press conference the other day, President Reagan said that if there was a nuclear war, there would be no winners even if a nation survived.

He was right.

I saw visible evidence of that a few days ago when three Southern Illinois veterans who had been exposed to radiation after the post-World War II H-bomb test came into my office. All three have serious problems. Let me tell you about one.

Bob Farmer lives near Chester, Illinois. After the H-bomb test at Eniwetok, he

was one of those in the armed forces who visited this South Pacific paradise, played in the sands and took a dip in the ocean. No one warned him that he might be exposing himself to radiation. Now, like an unusually high proportion of the veterans who were with him, he has cancer.

But that is only part of the story. Bob Farmer was discharged from the service and came back and established his home. He was happy and healthy—except for a slight heart problem which did not seem that significant then—and he and his wife started their family, a large family. He and his wife had nine children, all of whom appeared to be completely healthy except for one boy who was born with no hip or thigh bone. That turned out to be only the beginning. Now eight of the nine children have developed some type of serious problem apparently related to genetic damage which Bob Farmer suffered.

One child developed breathing problems and tests discovered a lung deformity.

One child developed deformities of the skull which caused severe headaches and other problems.

One child had an 8-pound tumor removed at the age of 15.

One child has developed small lumps all over his body just below the skin.

One child now finds an extra bone growing in his right leg.

One child has developed a serious

breathing problem that is genetically caused.

One child has a heart deformity.

And one child is completely normal and healthy, so far.

Bob Farmer is interested in protecting his children and, unfortunately, up to this point there is no protection for the children of these veterans. The armed forces will not acknowledge any responsibility for the problems which the Farmer children face. I'm having legislation prepared which would protect the children of veterans who have suffered from radiation exposure, for the financial problems which Bob Farmer and his family face are overwhelming. Right now, one son has an artificial leg and has broken that leg. The Farmers don't have the \$2,200 to get him another leg.

But even more important than the immediate problem of Bob Farmer and the other two veterans with whom I talked is the grim reality that not only would a nuclear war kill hundreds of millions of people, those who survived would face frightening futures in a radiation-filled world. I wish President Reagan could talk to these three men or to the survivors of the bombings of Nagasaki and Hiroshima. The world's leaders need a greater sense of the urgency of moving ahead to reduce the threat of nuclear destruction.

The evidence for it is in Southern Illinois and everywhere.

Politicians catching up with Freeze sentiment

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fast at the state and local levels for us to be able to keep track of all of it."

The national Freeze organization has so far collected about \$280,000 to finance its efforts. It has come mostly from large liberal institutional donors such as the Stewart R. Mott Charitable Trust, the Stern Fund and the Field Foundation. This money is separate, however, from that collected by local and state Freeze organizations, money which remains in those areas. Local funds have for the most part been collected by canvassing and various types of fund-raisers.

* * *

In neither Missouri nor Illinois will a Freeze referendum appear on the state ballot. In each case, proponents figured an initiative would have required too much money and the time was insufficient to collect enough signatures. Eighteen Missouri and Illinois communities, however, have endorsed the Freeze proposal.*

Missouri state law requires the signatures of 5 percent of "qualified" voters in at least two-thirds of the state's congressional districts. A successful initiative drive in Missouri, therefore, is an unwieldy proposition when compared to Arizona, say, where most of the population is concentrated in two cities, Phoenix and Tucson. Freeze referenda will, however, appear on the city ballots of Columbia and Springfield, Missouri.

Missouri Freeze proponents have for the most part concentrated on trying to influence the congressmen who go to Washington as a result of the November elections. The results are most conspicuous in St. Louis where Congressmen Clay, Young and Gephardt in Districts 1, 2 and 3 have all endorsed the Freeze proposal.

In Illinois, Freeze referenda will appear on the ballots of the city of Chicago, Cook County (or that part of Cook County outside the Chicago city limits) and the city of Winnetka. Winnetka's Freeze referendum is awkward since the municipality lies within Cook County, which will also have a referendum. How the votes will be counted in this case is unclear.

About 60,000 signatures have been collected in Illinois. Freeze workers have spent their energies trying to generate public support for the idea of a Freeze. Towards the end of November, 100 members of the Chicago Symphony Orchestra, performing under the name of Musicians Against Nuclear Arms, will hold a "Symphony for Survival" to benefit Freeze

activities. The performance will be conducted by Sir Georg Solti.

Wisconsin's September 14 nuclear Freeze referendum passed with 76 percent of the vote. On November 2, at least eight other states plus the District of Columbia will carry a Freeze referendum on their ballots. In some cases they were placed on the ballot by the action of the state legislature. In others they are the result of initiative drives. Some of these initiative campaigns tell a good deal about the sentiment the nuclear weapons issue is generating.

To put a referendum on the ballot in Oregon, for example, required 54,669 signatures. In about 10 weeks last spring Freeze workers collected an astonishing 112,219 signatures. At one point in Portland last May, approximately 10,000 Freeze petitions were being circulated by about 8,500 volunteers. Julie Williamson, a Freeze organizer who works out of Oregon Congressman Les AuCoin's office in Portland, says that her office has stopped planning Freeze activities altogether. "There isn't any need. So many groups are active in the Oregon Freeze right now that we're just acting as an information clearinghouse, just trying to let everyone know what everyone else is doing."

In Arizona, two political novices, Nancy Carroll and Sr. Gail Britanick, a Catholic nun, put together a volunteer organization that within 90 days had accumulated 74,000 signatures, far exceeding the 54,000 required by Arizona law for inclusion of the Freeze referendum on the November ballot. 81-year-old Otto Brummer of Tucson bicycled around Tucson collecting 8000 signatures from moviegoers waiting in line to see "E.T." "All the politicians we talked to told us there wasn't enough time or money to do it," says organizer Carroll.

In Montana, by December 1981, before most other Freeze groups around the country had even formed, 11,000 Montanans had signed petitions to put a referendum on the ballot. In the end, although only 18,024 signatures were required, organizers turned in a total of 32,453. "We've been mad about nuclear weapons for a long time now," says Freeze worker Deb Thomas. "We've been waiting for the rest of the country to catch up with us."

Volunteers in North Dakota had little difficulty gathering enough signatures for that state's referendum. "We were amazed at how easy it was to do," says Mary Mutzenberger.

"We could have gotten twice as many signatures if we'd had to. The national office even offered us a little money if we needed it. We didn't need it."

The other states whose November ballots carry Freeze referenda are California, Massachusetts, Michigan, New Jersey and Rhode Island. Including D.C., their populations amount to 26 percent of the U.S. population.

Political leaders are slowly beginning to catch up with their constituencies. The appearance of Freeze referenda on the ballots of Michigan and Montana, for instance, is probably a technical violation of those states' constitutions. In these states, strictly speaking, a referendum must be "statutory" rather than "advisory." That is, it must establish a law rather than merely express an airy "sense of the citizenry." In no true legal sense is the Freeze measure statutory since it is the federal government which is responsible for nuclear defense. The fact that the attorneys general in Michigan and Montana allowed the referenda to appear on state ballots anyway indicates the depth of public feeling on the Freeze issue.

The Reagan administration's panic-mongering has aided the Freeze movement immeasurably. The U.S. clearly has an advanced case of what Nicholas von Hoffman calls the nuclear heebie-jeebies. President Reagan's occasional musings on the possibility of limited nuclear war, former Secretary of State Haig's remark about firing off a nuclear warning shot, civil defense officials' gleeful public comments about the many millions who allegedly would survive a nuclear war and the U.S. government's stepped-up belligerence towards the Soviet Union all move growing numbers of Americans to wonder if the government really understands the ramifications of what it is doing.

The U.S. started with a nuclear monopoly and has subsequently spent a trillion dollars on strategic weapons in the name of national defense. To hear the president proclaim that despite this the U.S. remains vulnerable and militarily inferior to the Soviet Union is disquieting. Proponents of a nuclear weapons production freeze are suggesting the U.S. try another path to international security.

*In Illinois: Aurora, Calumet City, Carbondale, Chicago, DeKalb, Evanston, Glenview, Flossmoor, Highland Park, Niles, Oak Park, Olympia Fields, Rockford and Wilmette. In Missouri: Hazelwood, Kansas City and University City in addition to Jackson County (Kansas City).

Hard times in America are kindling new interest in cooperatives. Many citizens view cooperation as the best method to beat high prices, cheap and unhealthy goods, and the dog-eat-dog marketplace. Although the cooperative movement has a rich and colorful history, it is still an infant. Nevertheless, cooperatives provide a "first step" toward economic democracy. But translating desire into reality requires an understanding of the successes and failure of existing cooperative efforts. FOCUS/Midwest takes a succinct and to-the-point look at Missouri's cooperative legacy—a legacy that provides a foundation for new, energetic efforts. We appreciate the assistance extended by Robert Mayer in assembling this section.

A SPECIAL SECTION ON COOPERATIVES

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A REVOLUTION

By Robert Mayer
and Roland Klose

An American revolution is in the making. It is a revolution being built by the farmer squeezed by high interest rates and depressed commodity prices, by the worker whose factory is closed, by the parent who can't feed his or her family, by men and women who can't get goods and services at reasonable prices.

The revolution is being constructed with the principles of cooperation, not competition. Americans are relying on a healthy combination of hard-nosed self-interest and altruism to join with each other and *beat the monopolies* that run America. For many in the movement, there is political purpose to their cooperative efforts. Others are driven by a simple goal of obtaining better quality goods and services at lower prices.

An interest in cooperatives is not new—America's consumer cooperative movement traces its roots to the mid-nineteenth century. Rural cooperatives have weathered the economic dislocations of this century and many of them are now the surrogate grandparents to a generation of enthusiastic newcomers.

Cooperative types

Students of the contemporary cooperative movement distinguish between two waves of cooperative activity that are exemplified by Missouri's cooperatives: an "old wave," represented by farmer cooperatives founded in the 1920s and '30s and a "new wave," coops established in the late 1960s and '70s. This distinction is made, in part, because the older cooperatives were not directly responsible for initiating the new. The economic conditions when coops were organized, their membership, and even their goals are dissimilar.

Yet, a common denominator links different generations of cooperatives together and distinguishes them as

business ventures: their deep-rooted belief in collective decision-making, *economic democracy*. The principles of cooperation, derived from the Rochdale pioneers of the 1840s, are simple: ownership by members, one vote per member regardless of the share of the business owned, and operation at cost.

"Economic democracy" is a euphemism that embraces four types of cooperatives, although their uniqueness is blurred when actual cooperatives are examined.

- The *consumer cooperative* is organized for the purpose of providing goods and service to its membership, which usually is open to the public. The consumer coop provides services and equal financial rebates to its members, and has democratic elections. The focus of such a cooperative can include food, laundry, pharmaceutical drugs, books, gas or other products and services.

- A *producer cooperative* is engaged in manufacturing, growing or supplying a product at a reasonable price to its membership. All members share in the profits. Farmland Industries of Kansas City is a producer cooperative that manufactures various products for its members as well as the public.

- A *worker cooperative* involves a group of individuals who organize a business for the purpose of providing goods and services to the public. Sometimes a worker cooperative will act suspiciously like a private partnership, especially when the cooperative is a retail operation with few laborers. Thousands of bakeries in the early half of this century were cooperative ventures. Worker cooperatives can exist in virtually any industry or business. A worker coop requires only that all employees share equally in management and that the reward of their labor be shared fairly.

- The purpose of a *federation*, or simply, a cooperative of cooperatives, is to strengthen market buying pow-

er, share services and expertise. For example, producer coops (such as East Wind in Ozark County, Missouri) could depend on cooperative warehouses, (such as New Destiny Federation in Arkansas) to distribute their product (peanut butter) to consumer cooperatives (such as Limit Avenue in St. Louis). Often this form of cooperation takes on a simple business relationship. However, the organization of formal cooperative federations promises a more concerted effort by coops.

These distinctions are of limited use. Every consumer product involves production. And every activity, from extracting a resource to manufacturing to retailing, involves work. Federations are organized to recognize this interrelationship. They are also formed to exchange experience and information—the keys to initiating and sustaining cooperatives. An inability to sustain the cooperative movement has been the unfortunate hallmark of 130 years of cooperative efforts in America.

Early cooperation

The first viable cooperative buying club in the United States was a child of the early labor movement, itself the reaction to the ills wrought by the new industrial age. Low wages, long working hours and child labor provoked the first organization of trade unions in the first half of the nineteenth century.

Among the many trade unions born during this time was the New England Workingmen's Association, founded in Boston in 1844. One of its members, a tailor by trade, suggested that attendance at association meetings could be improved if the members organized a buying club. The membership was smitten by the idea and overlooked other goals they had set for their organization. In 1845, a store was established for the purpose of "bettering the condition of the

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working class." Within two years, twelve groups of people were operating businesses using the New England Workingmen's Association as their example. They banded together in what became the New England Protective Union. By 1852, 167 organizations, the majority of them run by labor unions, reported sales of nearly \$1.7 million.

What was a burgeoning movement collapsed, as did many things, in the economic dislocations caused by the Civil War. By the end of the war, only a few of the original stores were left and, of those, only three survived the century.

The depression that followed the war spurred the second great wave of cooperative activity. The difference was that it drew its strength from rural America. The desperate conditions American farmers found themselves in in the 1860s and 1870s expressed themselves in the militancy of the Granger movement. Movement farmers pursued cooperative buying and selling. Iowa was a key state in the Granger cooperative movement, where, in 1873, Granger cooperatives did a total business of \$5 million. Yet, within two years, the Granger cooperative movement had peaked at 21,000 local organizations and then began a precipitous decline. By 1880, the first wave of rural cooperation had passed.

Two concurrent efforts were also marked by their brief existence. The Sovereigns of Industry, a secret society modeled after the Grange but open to non-farmers, opened its first cooperative store in Springfield, Massachusetts in 1874. Within three years, the Sovereigns operated 94 so-called "councils" that reported a total business volume exceeding one million dollars. Three years later, the stores disappeared and the Sovereigns as well.

The Knights of Labor, whose primary function was to bargain collectively for better wages and working

conditions, also found time to establish consumer cooperatives—at least 185 at the height of their activity. The only shortcoming to these cooperative ventures was that they were tied to a labor organization that reached its zenith well before the 20th century. Indeed, while Europeans already had a virtually unbroken 60-year tradition of producer and consumer cooperatives by 1900, Americans had only unfulfilled dreams to show for their efforts. Some of the shortcomings in the American experience could be traced to unsound business judgments.

Members were given excessive discounts on goods, dissuading non-members from shopping the cooperative stores. Accounting practices were lax. More importantly, these cooperative ventures were dependent on parent organizations. Sometimes, as in the case of the Knights of Labor, profits went into the coffers of the parent group instead of into expansion and reinvestment. The American cooperatives were tied to the fate of organizations that did not purport to serve a general membership.

The cooperative movement remained quiescent until the 1920s. Two factors figure prominently in its resurgence: the arrival of a new generation of immigrants and a post-war depression that, like the post-Civil War years, hit rural America first. Europeans played a major role in the cooperative movement. For example, in Wisconsin, Michigan and Minnesota, over 100 coop societies were run by Scandinavians by the 1920s.

But the cooperative movement was led principally by farmers. Farmers were the largest class of Americans until 1921. To stay competitive, they often had to risk soil fertility. Floods, pestilence and erosion were hindrances matched by man-made nuisances, such as fluctuating crop prices and transportation costs. In Missouri and virtually all 47 other

states, rural cooperatives were forming: not only to market produce (dairy products, prunes, grapes, etc.) but to purchase supplies.

Cooperatives were responsible for telephone and electrical service, some gas and oil refineries and grain elevators. The farmers' objective was simple: a larger share of the consumers' dollar, without necessarily increasing the price of their products. In short, cooperative farmers wanted to beat the middleman. Likewise, the farmer could buy supplies at wholesale, not retail prices, if he cooperated.

Needless to say, rural cooperatives often served and protected special interests in a manner not unlike the great monopoly trusts. Complained one vexed contemporary observer, Charles Gide, a professor of political economy at the University of Paris: "Much publicity has been given to the fruit-growers, prune and grape producing organizations of the Pacific Coast. They have been called 'co-operative.' . . . Their success may be measured by the following fact which is also a test of their character: before the prune producers' co-operative was organized, the people were able to buy prunes for nine cents a pound; but so successful has this organization become that the consumers are now paying twenty-nine cents a pound for the same prunes." (*Consumers' Co-operative Societies*, 1922.)

Missouri Pioneers

Missouri was one of the pioneering states in rural cooperation. Already by 1919, the state had adopted the Stock Act, the first cooperative state law. Four years later, the General Assembly adopted an even broader statute authorizing cooperative organizations.

Two national federations organized to embrace the growing cooperative movement. Both are still in existence. The first, the Cooperative League of

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the U.S.A. was founded in 1915. The organization was designed to represent the educational and promotional interest of cooperatives. The beginning of the national federation was close to the heart of the midwest, with the first national Co-operative Congress held in Springfield, Illinois in 1918. A second national federation, the National Council of Farmer Cooperatives, was organized in 1929 to represent organized farmer cooperatives.

The cooperative movement had widespread support during this time. Republicans, Democrats, Socialists, unions and churches all jumped on the cooperative bandwagon.

The Missouri experience is typical of the growing movement at the time. Farmers, already feeling the pinch nine years before the depression, banded together to have access to supplies. Although they formed consumer cooperatives, they were interested in the movement as producers. Hence, in Missouri, the Consumers' Cooperative Association of North Kansas City (later to become Farmland Industries) began in 1929 as an oil and gas distributor. Ten years later it had completed its own refinery. Food processing, now a dominant part of Farmland's activity, was only a future plan in the 1940s.

Another major Missouri cooperative, the Missouri Farmers Association, was born in the 1930s. MFA has grown to include insurance, grocery stores, and gas stations among its services to members. Many familiar trade names and products were born of the rural cooperative activity of the 1930s, such as Welch grape juice, Tree Top apple juice, Farmland bacon, Sue Bee honey, Land O'Lakes butter, Smokehouse Almonds, and Sun Maid raisins.

Rural and cooperative efforts followed their separate paths through the second World War and the 1950s. Different constituencies required different services. Many rural cooperatives abandoned consumer-related services to non-members. Farmland and MFA, for example, abandoned some of their grocery, hardware, and service station activities. Post-war

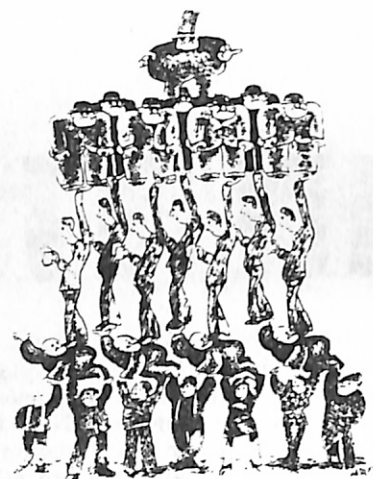
America was becoming one of two dominant world forces, though with significantly greater success than its Cold War sparring partner. The midwest became the bread basket of the world. Industry and technology promised an unlimited future. A pall of suspicion greeted any capitalism-defying philosophy.

The Post-Sixties

Whatever the reasons, new vigor in the cooperative movement had to await the late 1960s. Responding to the common nemesis of Americans, monopolization, the new cooperators were imbued with the social values of the civil rights era: equality, service to the poor and a studied awareness of ecological issues. Nevertheless, some of their cooperative ventures were marked by the same problems that continually dog the cooperative movement: a lack of investment, unsound management, a failure to serve general community needs and dependence on a "parent" group. Social divisions in the late 1960s limited community participation in some cooperatives because of exaggerated cultural and ideological differences.

The Missouri cooperatives that trace their beginnings to the late 1960s and '70s include the Columbia Community Grocery in Columbia, Limit Avenue Food Coop in St. Louis, and the now-defunct Westport Food Cooperative in Kansas City. Cooperative efforts in the areas of energy and housing also trace their beginnings to this period.

It is always tempting to debunk anything old and established. The health food enthusiast that joined his first cooperative in the 1960s probably saw little relationship between his efforts and interests and, say, the Rural Electric Cooperatives. The "conservative and staid" farmer organizations seemed no more progressive than the local banks. And, yet, as the efforts of the 1960s and '70s have demonstrated, a stronger link exists between the two generations of cooperatives than is at first apparent. That relationship has been recognized in Missouri, and formally expressed with the formation of a new, statewide organization.



Federation

In March 1982, 70 cooperators representing 20 cooperative organizations from Missouri and adjoining states came together at the Farmland Industries cooperative training facility and founded the Missouri Association for Community Cooperation (MACC). The various components of the cooperative movement were represented, including food, housing and energy cooperatives. The organization's purpose is not only to develop existing cooperatives, but to promote new coops and to cultivate public awareness about the movement.

MACC had been two and a half years in the making, owing its birth in large part to a brainstorming session during a University of Missouri extension service conference.

Although much too early to determine, federations such as MACC, suggest a brighter future for the cooperative movement. Older cooperatives are working hand in hand with newer coops, rural coops are linked to urban coops, and cooperative methods are being introduced into new industries. In Missouri, cooperative-based enterprises are being explored in everything from nut butter production to laundromats to legal services to making bicycles.

The potential for cooperative enterprises is limited only by the degree of cooperation between individuals with dreams and enthusiasm.

Robert Mayer is the former Midwest Field Representative of the National Consumer Cooperative Bank and presently works as a consultant for non-profit cooperatives and small businesses. Roland Klose is assistant editor of FOCUS/Midwest.

FOCUS/Midwest

Food coops reflect regional needs

By John Noller

Every one of Missouri's hundred-odd food cooperatives has a unique character and history.

Certainly, the most striking difference is size. Independence Food Fair has annual sales approaching \$3 million. Limit Avenue in St. Louis sells half a million dollars of food in a year. Most other Missouri cooperatives are much smaller.

Food coops differ also in operation. Some require pre-ordering of food. Others are operated as stores.

Differences in size and operation of Missouri cooperatives often reflect regional needs.

The most "rural" group of cooperatives are located in northern Missouri. These 12 coops were created mainly to meet the need of their members for access to bulk and "whole" foods. Their major supplier is the Blooming Prairie Cooperative Warehouse in Iowa City, Iowa. Blooming Prairie, founded in 1974, serves cooperatives in five states, although three-fourths of its members are in Iowa. In addition to purchasing, warehousing and trucking food, Blooming Prairie gives technical assistance to groups in their service area which are interested in developing a cooperative store. The Missouri members of Blooming Prairie are concentrated in the northwest of the state, reaching down into St. Joseph, although there is also a large coop in Kirksville.

Most of the 30 to 40 pre-order cooperatives in southern Missouri (south of I-70) were also founded for access to bulk and whole foods, although there have been coops organized in the Springfield and Joplin area with more emphasis on canned and packaged goods. These coops include rural groups as well as groups in such population centers as Springfield, Joplin and Cape Girardeau. The main supplier of these pre-orders is the Ozark Cooperative Warehouse, which is operated by the New Destiny Cooperative Federation, located in Fayetteville, Arkansas.

The New Destiny Federation was



Limit Avenue Food Coop, St. Louis' largest and oldest.

founded in 1976 with broad goals of promoting regional cooperative economic development. Its Ozark warehouse services six states divided into four regions, one of which is the "Missouri Region." The Missouri Region has about 50 members, most of them coops. Like Blooming Prairie, the warehouse supplies its own trucking and is operated by a worker collective.

Over the last year, twelve pre-order cooperatives in southcentral Missouri and northcentral Arkansas have come together to create Mid-Ozark Reliance Effort. MORE's activities include communication and education, and locating local producers. Recently, MORE has expanded into trucking, both to assure reliability and to help distribute local products.

Southcentral Missouri has also seen the development of two important cooperatively oriented producers: Morningland Dairy, which produces raw cheese, and East Wind Community, a community which is producing and distributing nut butters to the cooperative movement on a national basis.

Urban cooperatives

While the northern and southern Missouri pre-order coops have been created primarily to meet a demand for bulk whole food, the 30 to 40 pre-orders in St. Louis fill a greater diversity of needs. Some specialize in canned goods, packaged goods, dairy products, or whole foods; others specialize in fresh produce from Produce Row or the Soulard Market; still others combine all these for their members. Some serve primarily middle-income or lower-income members, others serve a mixture. Size of coops vary from a few families to over 100 families.

The Limit Avenue Coop is the oldest (dating to 1971) and largest (500 households) of the pre-order coops in St. Louis. It has helped other pre-order coops get started. Recently, it opened a store at a nearby locations permitting immediate purchases.

A 1981 survey of St. Louis coops by the St. Louis Neighborhood Resource Center found much interest in working together. In some cities—no-

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Independence coop:

By Pat Heady and Ken Reveill

Independence is the fourth largest city in Missouri and best known as the hometown of former president Harry S. Truman. Independence was also made famous years before as the queen city of the overland trails. Thousands of families started their long trek west from Independence over the Santa Fe, California and Oregon Trails.

Independence today is blazing a new trail in consumer action that could potentially benefit hundreds of other communities. More than 2,000 families in Independence are mem-

bers of the cooperative Food Fair and are able to buy their groceries and household supplies at near wholesale cost. They share in supporting an institution that serves the needs of many poorer families. Food Fair is the largest consumer food cooperative in the state of Missouri with annual sales for 1982 expected to approach three million dollars.

Interest in a coop developed in 1975 and 1976 when separate neighborhood, community and church groups discovered a common concern about nutrition and the continual increase in the cost of food. The coop

method, they agreed, was a good way to obtain nutritional foods, whole grains and health foods at reasonable prices. Other grocery and household products could also be included in a cooperative's inventory.

After two years of research and discussion, a cooperative plan was selected and modeled after the Hub Cooperative in Nanaimo, British Columbia. At the invitation of Rod Glen, the board president of Hub at that time, two members of the Independence Board went to Canada, visited the Hub Coop and brought

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Food coops

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tably Chicago—coops have been linked together by a warehouse and resource centers, but no such link exists in St. Louis. The Resource Center has attempted to serve as a "network" for cooperatives in the St. Louis area, but recent funding difficulties have impaired its efforts.

Outside of the St. Louis and Kansas City metropolitan areas, the largest food coop in Missouri is the Community Grocery in Columbia. Like three other stores in the state—Community Groceries and K&W Coop in St. Louis, and Good Hope Grocery in Cape Girardeau—the Columbia store sells primarily whole foods including produce and dairy products and a few canned or frozen foods.

The Community Grocery has expanded twice since its founding in 1974 and now owns and occupies a 4000-square-foot building close to the campus of the University of Missouri. Although students from the university and two other colleges in Columbia contribute to the coop's membership of 200, year-round resi-

dents unconnected with the university are more important to the cooperative's strength and growth. The cooperative's sales are budgeted to reach half a million dollars in 1982. The coop has also assisted and served as a distribution center for several other cooperatives, and was the sponsor of a CETA-staffed community-wide nutrition education project in 1978-79.

The largest coop in the Kansas City area is the Independence Community Cooperative, which owns the 10,000-square-foot building from which it operates Food Fair as well as a pharmacy and an auto supply retail outlet. The coop is strongly community oriented and has worked with local churches in helping needy people.

In 1978, the same year that the Independence coop opened Food Fair, about a dozen pre-order cooperatives merged to create the Open Market, a small full-service neighborhood grocery store. While it had provided important services to its members for two years, it had never established



the capital or membership base to sustain sales at a break-even point. Consequently, the Open Market was dissolved, and a number of new pre-order cooperatives are re-emerging to replace it.

John Noller was the coordinator of Project Taproot in 1979-81 and has been an active member in the Community Grocery since its founding in 1974. He currently serves on the board of directors of Missouri Association for Community Cooperation (MACC) and North American Students of Cooperation (NASCO).

top sales in Missouri

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back enthusiastic reports about this large community cooperative. Hub offered encouragement and technical information.

Organization

In the summer of 1976, a membership drive was started. By late summer 1977, approximately 100 families in the community agreed to join the coop effort. A small, out-of-the-way location was chosen and after a month of clean-up and painting, Food Fair was opened in November 1977, with about 600 square feet of rented floor space, \$3,000 in inventory and three broken down grocery carts.

The business is run according to the Rochdale principles: open membership, democratic control (one member, one vote), limited return on share capital and savings returned to the patrons in proportion to their purchases. The savings are returned at the time of purchase in the form of lower prices rather than at the end of a period in the form of dividends. The store is not a grocery store designed to sell something. It is, rather, a purchasing agency which operates to buy quality products for its members.

The principle of a "direct charge" coop is very simple. The inventory is paid for by an initial amount contributed by each family and refunded if they leave the coop. In order to meet operating costs, each member family pays a "direct charge." If the inventory is paid for and the operating costs are met, then each family buys at the wholesale cost of putting the product on the shelf. These prices usually range from five to twenty percent below normal retail costs.

Members must pay a \$5 fee which pays for a monthly newsletter and educational materials, a one-time "Inventory Investment Fee" of \$50 for families (or \$25 for individuals or retired people) which gives the coop the buying power for that family and is refunded upon withdrawal from the coop, a five percent of purchases service fee (the direct charge) and a two

"The strength and stability of the coop is reflected by its broadbased membership, which is strongly influenced by middle-class values and goals."

percent of purchases investment in "Savings Certificates" each time one shops. The savings certificates give the store expansion capital and are redeemable in three years with interest.

This plan has allowed the coop to expand using the resources of its own members and keeping ownership in their hands. In five years, the membership has grown from 100 to 2,000 families and the weekly sales of the store have risen from \$1,000 to \$50,000. The floor space has been expanded to 8400 square feet. There is no indebtedness to any lending institution, and the coop owns its building and the land.

A key factor in the early stability and growth of the coop was the dedication of the coop managers, a husband and wife team that supported the cooperative principles and who were experienced in the grocery business. Their salaries started at zero the first month and went up a little each month as the business increased until they reached a reasonable level. It would be difficult to overestimate the value of their contribution and the contributions of those first members, young and old, who gave hundreds of hours of volunteer time during the first critical months.

Volunteer participation

The coop's success owes much to volunteers. The board believed that

in order for members to identify with the cooperative, they needed a way to participate so that the store would not be "just another business." For that reason, the idea of the "Gold Star Volunteer" was conceived. Gold Star volunteers are those members who donate four hours a week to service in the store. In exchange for their service, they do not pay the five percent service fee on their groceries when they shop.

The strength and stability of the coop is reflected by its broad-based membership, which is strongly influenced by middle-class values and goals. A diverse membership gives Food Fair a cohesiveness and strength it might otherwise lack.

At present, the store is spacious, clean and functional. It offers a wide, though not exhaustive, selection of groceries, natural food products and household goods. While respecting the individual's freedom of choice regarding food preferences, the store continues to have a strong commitment to nutritional education. It recently held a workshop and classes for its members on whole food cookery, specialized diets and whole wheat bread baking. Newsletters not only attempt to keep members informed of progress at the store; but also to provide nutritional and consumer information. The store does not advertise nor promote loss leaders commonly associated with grocery retailing. The thrust is toward economy and improvement in the quality of food selection.

In addition to serving its family members, the store now has a number of commercial accounts. It has also recently opened a two-bay auto shop on its property and has plans for its own bake shop.

Like the Hub Coop of Nanaimo, the co-op's goal is to bring into the world of business a little consumer democracy and a voice in determining such things as quality and price.

Pat Heady is a past board president of Independence Food Fair. Ken Reveill is a treasurer of Food Fair.

East Wind builds

East Wind is a secular community of about 60 people located in Ozark County, Missouri. Since 1974, East Wind has been working toward their vision of the "good life." It is economically self-sufficient, first relying on rope products and now making and selling nut butters. The community draws inspiration from different philosophies, combining pragmatism and idealism.

By Allen Butcher

In May 1974, eleven people came to Ozark County, Missouri with just enough money to make a down payment on 160 acres of stony, tree-covered ridges, a small and barely adequate single-story farmhouse and a few other small buildings. East Wind began quite literally from scratch with the intent of building a wholly new society where before there were only woods and pasture. This new society was to reflect values that would be attentive to the needs of individuals and consistent with the needs of this planet. East Wind is an community, born of the dynamics of social change unleashed in the 1960s.

In its early days, the mood at East Wind was vibrant. Founders planted a garden, built a basic showerhouse and a small residence building of ten 100-square-foot rooms. They promptly ran out of money just as winter arrived. The 35 members were desperately in need of money that first winter. Savings, family loans, assistance from Twin Oaks Community, and outside work sustained East Wind. Members took turns filling what few jobs were available in the area. East Wind also kept an outside work apartment in St. Louis and a house in Springfield.

This was a difficult period, working in a region of the country quite different from which East Winders had come. Yet, this period of struggle was

characterized by a spirit often referred to as the "East Wind Magic." Although the community was very poor, spirits ran high and members felt they were building something meaningful and important. Frequently, the phrase "for the revolution" was heard as a reason for what East Wind was attempting to do.

In the autumn of 1975, East Wind had grown to 45 people. The hand-woven rope hammock industry, which Twin Oaks helped develop, had grown to a large enough volume permitting an end to outside work. A two-story, twenty-room residence was built and named "Fanshen" after the first Chinese agricultural commune. In February 1976, "Rock Bottom," a new kitchen-dining complex, including a library and public space, was built, relieving the pressure on the overcrowded farm house which was now named "Re'im" after an Israeli kibbutz.

East Wind founded the Federation of Egalitarian Communities in early 1977 in an attempt to reach out to other alternative communities. East Wind itself continued to grow to a high point of 70 in the late 1970s. However, a major controversy was already brewing which brought divisiveness and a loss of members.

Growing-up pains

Half of the community's labor was required to produce rope products in order to cover support costs and pay for 1976 construction projects. When East Wind overextended its financial resources, much of the community's labor was diverted to produce income, rather than being directed towards domestic projects. A desire for children, for example, was stifled by the lack of space, money and labor. Resources were devoted to building inventories, buying equipment and building a warehouse and loading dock. Making all of this even more unpalatable was the feeling, despite an attempt to create attractive work-

ing conditions, that the rope business was drudgery.

Twelve discontented members left East Wind in early 1980. The issue that prompted the schism centered on labor-related matters: how much and what kind of work members had to provide. Yet, the deeper question had been brewing for at least three years: what direction would the community take? The community had always valued a diverse membership, with strong and different opinions. For example, members argue over food, television, child raising, agricultural practices, the weather, and even nuclear power. Some community members charged that East Wind was not so much a commune than a factory. But others asserted that the commitment to economic stability was lacking, that some members didn't care enough to do what was needed to keep the community afloat.

Unity was gone and "utopia" seemed far away. The alternative world was becoming quieter in the 1970s and the social change movement seemed bankrupt. Yet, for many members, East Wind was the best there was. Those who stayed felt that "if we cannot work harder, we have to work smarter."

Turning point

A turning point for East Wind came during its darkest period. The vehicle for renewal was the community's increasing contacts with other alternative organizations. Groups involved in the East Wind-sponsored Federation of Egalitarian Communities were beginning to reach out; the first was Kibbutz Artzi, one of the federations of the Israeli kibbutzim. They had read the book, *A Walden Two Experiment: The First Five Years of Twin Oaks*, by East Wind member Kat Kincaide. Several members from federated communities have visited kibbutzes

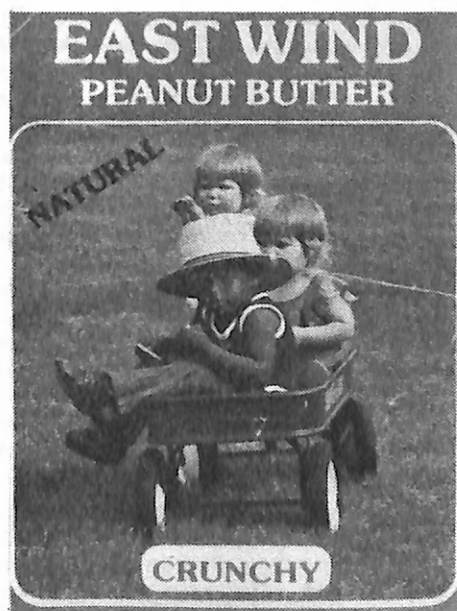
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a new community

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through the financial aid of the Kibbutz Artzi Federation.

Increased contact with two other alternative movements, Movement for a New Society (MNS) and the Co-op Movement, brought additional changes. In January 1980, East Wind invited four trainers from the Philadelphia MNS Life Center to travel to the Ozarks and present a week of workshops and discussion. MNS emphasized skills in conflict resolution, decision making, facilitation, and individual and social communication. The community realized through these discussions that although East Wind had made truly unique advances in dealing with material possessions and economic needs, the community had overlooked what MNS terms "the moral functions of an organization." Members were aware of the need to do social planning, but no one knew how to verbalize those needs. MNS gave East Wind an effective way of looking at the concept of community morale.



East Wind "logo"

East Wind's direct contact with the cooperative movement also began through the previous experiences of a few members. An East Wind member with a co-op background was elected to the board of directors of the New Destiny Cooperative Federation, the local regional federation of food cooperatives. At a meeting in Texarkana in spring 1979, a presentation was made by a representative of the Southern Cooperative Development Fund (SCDF) on the availability of developmental capital through their fund. Another East Wind member was involved in the Economic Democracy Association (EDA) which sought to aid the development of worker or consumer-owned and -operated businesses. This organization had a short life, nevertheless, it produced information about alternative businesses, including a few offers from existing businesses to help set up others. EDA provided East Wind with news of the Once Again Nut Butter Collective's willingness to aid in setting up a nut butter factory.

Ready for the Nuthouse

East Wind was more than ready for a new industry. Industrial diversification is a key to economic stability, plus it provides diversity in the work place. Hammocks and other rope products had served the community well and by 1980 the Twin Oaks/East Wind Joint Hammocks business was doing almost three quarters of a million dollars a year in sales. Hammocks involved little investment, less skill and had a fairly quick payback. Yet many members were unhappy with the prospect of being forever tied to the hammock business. Besides its labor intensity, hammocks are luxury items. It didn't seem to square with the alternative lifestyle pursued at East Wind. Often East Winders felt compelled to conceal their "alternativeness" from their "straight" business contacts.

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East Wind philosophy

The East Wind philosophy is expressed in some of the practical applications of their laws. For example, a fair share of community work is expected of every able bodied member. That means, members are expected to work about 50 hours a week, including what is termed "hard to assign work." Every member is guaranteed a one-week vacation a year, although many take longer vacations—a privilege they earn by working longer hours.

All East Wind members must contribute a minimum amount of labor to the community as a whole and all income derived from their labor is contributed to the general pool. In return, the community assumes responsibility for fulfilling members' needs: food, clothing, shelter, medical coverage, transportation, recreational facilities, equipment, childcare, educational and travel opportunities. In addition, every member receives a small weekly discretionary allowance. On joining, members don't turn over life savings or assets; however, East Wind requires that after one year, all individual assets should be loaned to the community on mutually agreeable terms.

East Wind emphasizes energy-saving technologies. Solar heating is used in the community's industrial building. The sewage system is designed to recycle waste as fertilizer.

Equality of sexes is emphasized.

Capitalist, socialist

By C. Brice Ratchford

Are Missouri's largest cooperatives "true" cooperatives? The multi-million dollar enterprises whose roots stretch to the Great Depression must meet the same test as the smallest pre-order food coop.

Missouri's largest cooperatives, which serve the state's farmers, easily meet this test.

Missouri has a high concentration of cooperative activity. Farmland Industries, headquartered in Kansas City, is the nation's largest cooperative. Missouri Farmers Association, headquartered in Columbia, Missouri, has sales approaching one billion dollars. Mid-America Dairy, headquartered in Springfield, has sales exceeding 600 million dollars. The farm credit banks that serve Illinois, Missouri and Arkansas are lo-

cated in St. Louis.

Most cooperatives were started by farmers, not to get better prices, but to gain dependable access to supplies and markets. Better prices were really a side benefit. Cooperatives still place high priority on providing access. The latest major example was prompted by the oil embargo. Major oil companies began to withdraw from sparsely populated areas because they were less profitable markets than densely populated areas. The cooperatives continued to serve the rural areas.

Marketing and supply

Large organizations, such as the MFA and Farmland, have local outlets. There are 120 local, independent farm supply/marketing cooperatives affiliated with them. In addition,

MFA has 80 company-owned exchanges in Missouri. Every farmer is within a short drive of a farm supply and marketing cooperative, and every farmer has ready access to a Production Credit Association or Federal Land Bank Association, which provide short- and long-term credit respectively. Mid-America Dairy, another large cooperative, also has a number of receiving and dairy processing plants in the state.

Service cooperatives are also important to rural Missouri. Most of the state is served by Rural Electric Cooperatives, which have moved beyond simple power distribution to generation and transmission. A number of rural communities have telephone cooperatives. The Dairy Head Improvement Associations are cooperatives. Other cooperatives are major providers of artificial insemination materials and services.

Farmers and rural people do use the cooperatives. On average every farmer belongs to 2.3 cooperatives.

The cooperatives have achieved significant market shares for some commodities and supplies. Nationally (and Missouri would be close to the average), cooperatives market 44 percent of all farmers' grain, 69 percent of the milk, 30 percent of the cotton, 25 percent of the fruit and vegetables, 8 percent of the poultry and 11 percent of the livestock. On the farm supply side, the cooperatives provide 39 percent of fertilizer, 36 percent of pesticide, 35 percent of petroleum and 20 percent of the feed market. The farm credit banks are the major providers of all types of farm credit.

All of the farm supply and marketing cooperatives began either as local assemblers of raw farm products or distributors of supplies produced by others. While these functions are essential, they are the least profitable of the many functions in the marketing channel and do very little to address the critical problem of an assured access to markets and supplies.

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Every cooperative must meet the same tests

or something else?

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The cooperatives have responded by going "basic" in farm supplies.

In the case of fertilizer, they have not only built manufacturing plants but have acquired phosphate and potash mines. On the marketing side, the cooperatives have built processing plants and in the case of hogs, rice, soybeans and dairy products are producing nationally branded consumer products. They have created an export program for grain that includes export elevators, hopper cars and barges.

The cooperatives are achieving their primary objective of helping farmers improve their income in two ways. The hundreds of millions of dollars in patronage refunds are a direct boost in prices received for products or a reduction in prices paid for supplies. While the amount cannot be quantified, a greater value to members and non-members is the added competition in the market place.

"True" cooperatives

Cooperatives had to become large to perform the services farmers needed and requested, but do they continue to be true cooperatives and do farmers control them?

On both questions, the answer is an unqualified yes. The features that distinguish a cooperative from other business organizations by statute and practice are:

- The *equity* capital of all the cooperatives is owned by the members who are also farmers and users.
- They are controlled *democratically* by members. All cooperatives in Missouri permit only one vote per member regardless of the share of the business owned.
- Equity capital has a limited return. The Missouri statutes allow no more than a 10 percent return and most cooperatives pay none.
- Cooperatives operate at cost. This principle is one that many people, even members, do not know. The Rochdale Pioneers, the founders of the first successful cooperative,

adopted as an operating rule to charge competitive retail prices. Most of the cooperatives follow that practice today. If a cooperative following such a practice is well operated, it should show a profit at the end of the year. A cooperative returns this profit to the *user* (not the investors) prorata to use. These returns are called patronage refunds. Legally, the price initially charged is a "tentative" price with the final price being reached when adjusted for the patronage refund.

Missouri cooperatives are controlled by farmers. The majority of the board members, in most cases all, are practicing farmers. The board of directors controls the professional management, which, of course, is responsible

for the day-to-day operations. Boards make and/or approve all major policy decisions and operating plans. Farmers, then, control the cooperatives they own.

Finally, are cooperatives part of the capitalist, free enterprise or market economy or something else—perhaps socialist? Since they fully meet the three way test of: ownership by the private sector, control by the private sector, and all benefits go to the private sector, cooperatives in the U.S. are totally part of the private sector.

C. Brice Ratchford is a professor of agricultural economics at the University of Missouri-Columbia. He has been extensively involved in the cooperative movement.

East Wind

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Hammock-making is also a seasonal industry, causing annual cash flow problems by wintertime.

The decision to go ahead with nut butters was made in late 1979. But it took two years to prepare the 120-page loan proposal, secure a quarter of a million dollars financing from sources that included the SCDP and the National Consumer Cooperative Bank, purchase and refurbish the processing equipment, and build a food grade steel factory (affectionately named the "Nuthouse"). Plus, the community had to learn how to make good peanut butter.

The nut butter industry hasn't been without its problems. The 1980 drought tripled the price of peanuts. The machinery in the Nuthouse created a sound pollution in the community. East Wind now has an enormous debt to service.

Workplace democracy

In its eight-year life, the East Wind community has steadily grown to

meet the needs of its members. Now changes are coming quickly and furiously. New members are joining, some old members are returning and the community is planning for new buildings, programs, children, a school, better medical and recreational facilities, more agricultural programs and more publicity.

But social change remains the top priority at East Wind. Members share the belief that the community can someday serve as a model—an experiment—in building a new social order in place of one they believe is decaying.

East Wind's success as a collective business distinguishes it as one of the most dynamic of the current alternative efforts. If individuals have control over the work they do, it is of secondary importance how the rest of their lives are structured.

Allen Butcher is an East Wind resident. He has written several profiles on the community, including one for Communities magazine.

Coops organize to provide energy

By David Haenke

Energy production in the U.S. is a high stakes, money-making business. But the traditional system doesn't seem to be working efficiently and the stakes are becoming greater. Widespread environmental pollution, destruction and resource depletion have become the sad realities of this century.

Like traditional market forces, cooperative economics emphasize the provision of services and goods at the best possible price. But cooperation introduces a new element: consumers and producers of energy share in deciding what is the real price of energy. An energy system that is extremely profitable for a private concern is nevertheless too expensive if it despoils the environment and endangers life.

Environmental concerns

The cooperative movement is critically aware of the relationship between energy, the environment, economics and politics.

In Missouri, the recently-formed Missouri Association for Community Cooperation emphasizes the central role of energy in economic planning. MACC is an umbrella organization for coops that monitors and assists the development of energy cooperatives. They include both producer and consumer-oriented cooperative efforts.

Energy cooperatives differ from for-profit utilities in their emphasis on the use of locally available, renewable resources. Environmental awareness is the key to developing energy systems for the future. Ideal energy systems incorporate waste recycling to provide the most efficiency.

As consumer cooperatives, energy coops can lessen the cost of weatherization by wholesale purchase from manufacturers. Such an effort has been initiated by the County Energy Project of Columbia, Missouri. The New Destiny Coop Federation (NDFC) and its central warehouse, the Ozark Cooperative Warehouse,

are considering distribution of energy-related materials to member coops.

NDFC serves six states and 250 coops in the midwest and south. The promise of cooperative marketing of energy-related materials and projects is demonstrated by the Columbia Community Grocery, which already offers weatherization materials and wood stoves, along with related equipment.

The plight of the poor

As the U.S. continues its economic decay, the poor are on the frontline of those denied access to energy. The hard winter of 1981-82 brought that reality home as social service organizations were hard pressed to provide some measure of comfort to those citizens who were in danger of freezing to death. Cooperatives, by providing conservation, weatherization and energy savings materials and services, may be the most successful business vehicles for keeping warm in the 1980s. Coops can provide woodstoves, solar air and water heating equipment, solar greenhouse kits, efficient kerosene stoves, etc. In Arkansas, consumers have organized to buy photovoltaic cells directly from manufacturers, providing lower cost panels which convert sunlight into electricity for home and farm use.

Cooperatives can be in the business of manufacturing energy-producing

equipment such as solar air and water heaters, solar homes greenhouses and wood heat equipment. One Kansas City effort is a window quilt coop, which sponsors workshops and makes and sells quilt panels for window insulation. This cooperative venture is sponsored by the Kansas City Citizen/Labor Energy Coalition. Another energy coop is the Bluestem Energy Coop, which also makes window quilts and promotes general energy awareness and education.

As prices continue to rise, wood fuel cooperatives, already developed in the northeastern U.S., have great potential for development in Missouri. Successful fuel coops outside Missouri sell wood to their members and to the local community also involving shared cutting and stacking.

Cooperation can play a crucial role in controlling energy resources. The ethos of cooperation combines service, pragmatism and defensible moral choices. Therefore, energy coops include in their bylaws and mission statements principles upholding protection of resources and ecological systems.

Cooperatively, those principles can be translated into profitable business practices.

David Haenke is the coordinator for the Ozark Area Community Congress and is on the board of the Missouri Association for Community Cooperation.

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Literature on cooperatives

By John Noller

This following sources for consumer cooperatives focus on general treatments, organizing and managing food co-ops.

Co-op history and philosophy: Sekerak and Danforth provide a view of the history of consumer cooperation and give a good introduction to the idealists and pragmatists who have made cooperation a twentieth-century "movement" in the United States. A recent essay by Hoyt gives a fuller interpretation of the philosophy and motivation behind the more recent growth in cooperatives.

Sekerak, Emil, and Art Danforth, *Consumer Cooperation: The Heritage and the Dream*, Consumers Cooperative Publishing Assoc. 841 Pomeroy Ave, #20, Santa Clara, CA 95051

Ron Cotterill, *Food Cooperatives*, Interstate Pub, 1981. The article by Ann Hoyt is titled *Renaissance of Consumer Cooperation*.

Business aspects/non-cooperative literature: Every co-op has a business side, and co-ops can learn much from "small business" literature. A number of good paperback books directed toward small business are easily obtainable; three good ones are those by Kamoroff, Frost, and Follett. In addition, the U.S. Small Business Administration has developed a number of useful books and shorter publications for small business. The books are inexpensive and the short publications are free.

Kamoroff, Bernard, *Small-Time Operator*, Bell Springs Publishing, 1976

Frost, Ted, *Where Have All the Woolly Mammoths Gone?* Reward, 1974

Follett, How To Keep Score In Business, Mentor, 1978

Small Business Administration, P.O. Box 15434, Ft. Worth, TX 76119 for the shorter publications, books available from Govt. Book Store, 601 E. 12th St., Kansas City, MO 64106

Organizational and democratic aspects/non-cooperative literature: Besides its business side, every co-op also has an organizational side requiring, among other things, member involvement in the organization. (Cooperators sometimes disagree on how much and what way members should be involved.) Many non-business organizations have a similar concern, and there are useful insights to be

gained from the extensive literature directed toward voluntary groups and non-profit organizations. A convenient source for some of this literature is the Center for Voluntary Action. One recent book that offers useful information on leadership, volunteerism and public relations is the *Non-Profit Organization Handbook* edited by Connors.

Center for Voluntary Action, 1214 16th St. NW, Washington, D.C. 20036

Connors, Tracy, *Nonprofit Organization Handbook*, McGraw-Hill, 1980

Business and democratic aspects/cooperative literature: Literature from the co-op movement does not necessarily provide any better insights into business or democracy than literature from non-cooperative sources. However, it *does* address the problem specific to cooperatives of bringing the two aspects into a creative synthesis so that they work together instead of against each other.

Rasmussen covers the standard topics of financial management from a cooperative viewpoint. The treatment is complete and concise. This book is most likely to be useful to a co-op that is already well-established.

Rasmussen, A. Eric, *Financial Management in Cooperative Enterprises*, Cooperative College of Canada, Saskatoon Saskatchewan, Canada, 1982

Noller gives an overview of the management functions that must be met in any cooperative.

Five Extension Bulletins are available free in single copies by sending a self-addressed stamped envelope to the Cooperative Extension Service, University of Missouri, Columbia 65211. Order them by number:

EC941—"Introduction to Consumer Food Cooperatives"

EC942—"Steps in Organizing a New Pre-order Food Cooperative"

EC943—"Managing Pre-order Food Cooperative"

EC944—"Essential Elements of Managing a Food Cooperative"

EC945—"Orienting New Members"

An effective board and committee structure is one of the keys to active member involvement, as well as business success, in a larger cooperative. Garoyan and Mohn's manual on co-op boards of directors is sophisticated and complete. Board and committee functioning also receive useful treatment in non-co-op sources such as

Connors (listed earlier) and Conrad and Glenn. Materials for training a board of directors in fulfilling its responsibilities can be obtained from North American Students of Cooperation (NASCO). NASCO will also provide names of local people qualified in training directors.

Garoyan, Leon, and Paul Mohn, *The Board of Directors of Cooperatives*, University of California Extension (Pub. 4060), Berkeley, 1976

Conrad, William, and William Glenn, *The effective Voluntary Board of Directors*, Swallow Press, Chicago, 1976

NASCO (North American Students of Cooperation), Box 7293, Ann Arbor, MI 48107

Another key to active member involvement is effective member orientation and education. In another Extension bulletin, Noller gives a brief introduction to member orientation (listed earlier). NASCO has published a useful manual on member education (listed earlier). A recent special issue of the co-op trade journal *Moving Food* was also devoted to member education.

Moving Food, published by Alliance of Warehouses and Federations, Box 14440, Minneapolis, MN 55414

General information on food co-ops: Ratchford, in an Extension bulletin (listed earlier), gives a brief overview of food cooperatives with particular emphasis on initial organization. The Food Co-op Handbook has chapters on history, philosophy, and political issues as well as organization and management. Cotterill's recent book on food co-ops (listed earlier) has valuable chapters on finance and management as well as more general market strategies.

Food Coop Handbook, by the Handbook Collection, Houghton Mifflin, Boston, 1975

Pre-order food co-ops: Among a number of manuals on pre-order co-ops, the most easily obtainable for Missourians are Noller's two Extension bulletins on organizing and managing a pre-order (listed earlier). Vellela gives the best book-length treatment, though his perspective is more useful for urban than rural cooperatives and is biased toward smallness. Snyder's manual for the co-op buyer, based on her experience in St. Louis, is helpful for dealing with suppliers or managing a large pre-order. Blooming Prairie Cooperative Warehouse, in Iowa, has developed a good, short manual for pre-order bookkeeping.

Vellela, Tony, *Food Coops for Small Groups*, New York, 1976

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Organizing a cooperative

This article is excerpted from "Introduction to Consumer Food Cooperative," published by the University of Missouri-Columbia and written by C. Brice Ratchford, John Noller and Bernadette Mahfood. It illustrates organizing guidelines that can easily be translated to other sorts of cooperative ventures.

Starting a cooperative

NEED AND ECONOMIC FEASIBILITY. The establishment of a coop should be guided by economical feasibility. Some of the most successful coops were organized to provide goods or services that were not readily available. Goods at a lower price is an almost universal desire. A cooperative may be able to provide goods or services at a lower cost if there is inadequate competition or if it proposes to operate on a lower cost structure than the competition. A store can operate at a lower cost, for example, by using volunteers, limiting the line of merchandise, and working in "bare-bones" facilities. It will be difficult for a cooperative to operate like its competitors and show substantial savings.

Economic feasibility depends on more than an established need. The cooperative must address other questions, too, such as those relating to size, sources of supply, dependability of the market, capital requirements and labor, management, facilities, health and safety requirements, and local licensing rules. These questions should all be resolved before organization proceeds.

INTEREST OF POTENTIAL MEMBERS. A sufficient number of persons must have the interest to make the cooperative economically viable. An attitude of curiosity, "wait and see" or "if it gets started I will be a part of it" is not enough. The organizing group should determine the minimum number of persons necessary. The best test of true interest is to require either payment or a firm promise to pay some significant membership fee. The size of the fee will depend on the economic status of the prospective membership and the type of operation planned. It should be large enough that a person will not simply ignore the investment. Besides, the

coop will need all the money it can get for capital.

THE NECESSARY EQUITY CAPITAL CAN BE RAISED. The most serious hurdle is likely to be securing equity capital. Some members will have limited resources. Most will have some reluctance to invest in a new enterprise. Another major problem is the regulations and restrictions relating to the sale of securities.

Agricultural cooperatives have certain exemptions from state security regulations, but such are not available at this time to consumer cooperatives. It is impossible to get a concise, easily understood statement about the evidences of equity capital invested in a consumer cooperative that are exempt from regulation. The intent is fully as important as the type of instrument. For example, the major purpose of a modest-membership fee may be ascertaining interest of people and accumulating a list of people who want to be included in all activities. Even though such fees generate equity capital, the membership certificate would likely not be considered legally as a "security."

Retained patronage refunds have been the major source of equity capital for the agricultural cooperatives. The courts have consistently ruled that notices advising members of patronage refunds earned but retained are not to be treated as securities from the standpoint of regulation. The cooperative should maintain a record of the amount retained from each member.

Capital retains are another frequently used and good method of acquiring capital. This entails some modest mark-up (one or two percent) on purchases which are earmarked for a capital account. Records are maintained showing the retains collected from each member.

Stock, common and preferred, is an ordinary means of raising equity capital. Chapter 357 of the Missouri Statutes provides for common and preferred stock. Most agricultural cooperatives treat the common stock as a membership fee, issuing only one share with a modest face or par value per member. Organizers should solicit expert advice about security regulations before issuing any shares of

stock.

The most common source of capital is profit generated from internal operations. Cooperatives, while making no profits, can accumulate surpluses or net savings, other names for profits. Income taxes must be paid on such surpluses. It is not sound for a cooperative to use such a method extensively for securing capital, as it violates a basic cooperative principle. Many cooperatives use the approach of tax paid surplus as one method of getting some capital. If the profits are quite small, it may often be more practical to place them in a tax paid surplus account rather than to allocate patronage refunds to many members.

Some cooperatives keep no earnings derived from member business but strive to make a profit on non-member business, pay taxes on the earnings and allocate the remainder to the capital account. A cooperative should be careful to always have member business as the primary goal, or it becomes something less than a true cooperative.

Some food cooperatives use the "direct charge" approach. An estimate is made of operating costs for some future period which is then prorated equally among all members. It is not a solution to long-term equity capital, but it does help build operating capital.

Organizing a coop

Organizers should consider all eventualities and alternatives before rushing into a formal set-up. The organizational process can have a vital effect on the eventual outcome. Hence, a process with wide involvement is best. It is not the only way and it is slow, but it is probably the soundest approach.

1. EXPLORATORY MEETINGS. Exploratory meetings should be held to discuss and formulate tentative answers to the following questions:

- How many persons in the community are interested in organizing a cooperative?
- What kinds of services should the proposed cooperative perform?
- What are the problems with respect to the desired services? Are they already available, and if so can they be improved through a cooperative?
- What has been the experience in the community with other kinds of cooperatives?

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Cooperative organizations

Among the variety of cooperative organizations in Missouri and Illinois, the following can assist the reader in locating resources and information either to form or join a cooperative venture.

National organizations

Cooperative League of the USA (CLUSA) Suite 1100, 1828 L St., N.W., Washington, D.C. 20036 (202/872-0550). CLUSA is the "big daddy" of the cooperative movement, tracing its beginnings to the First World War. The organization serves as a clearinghouse of information for housing, health, and farmer cooperatives, credit unions, consumer cooperatives, mutual insurance societies, and rural electric coops. CLUSA produces a Cooperative News Services, helps plan informational exchanges, educational programs, inter-cooperative trade and projects. The League maintains an inventory of over 250 titles in leaflets and pamphlets available upon request.

Coop America. 2100 M St., N.W. Washington D.C. 20063. 202/872-5307. Provides health insurance and marketing for cooperative organizations.

Consumers Cooperative Alliance (CCA). 1828 L St., N.W. suite 1100, Washington D.C. 20036. Umbrella organization for "new wave" cooperatives. For further information, contact Robert Mayer, 816/444-0990 who serves as CCA national treasurer.

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Center for Community Economic Development 639 Massachusetts Avenue, Cambridge, 02139. The center provides research and publications to cooperatives and other community-based economic development organizations.

Community Ownership Organizing Project 349 62nd Street, Oakland California, 94618. The project provides technical assistance and research on economic development projects with special emphasis on community and worker-owned enterprises.

National Consumer Cooperative Bank 2001 S Street, N.W., Washington, D.C. 20009. The Coop Bank was chartered in 1978 by Congress to provide financial services for consumer, housing and producer cooperatives. With the bank's assistance, congressional supporters believed cooperatives could better control costs and provide needed community services. The bank provides two tiers of lending: loans to credit worthy coops and loans to coops without financial resources, but which serve a low-income population. Whether the bank is fulfilling its purpose is the subject of intense debate in coop circles. Critics charge the bank is being run in a tight-fisted manner, allying its interests with "establishment" cooperative groups, such as CLUSA. Supporters dismiss criticism as nonsense, pointing out no one is served by a Coop Bank that wastes money. The bank has eight regional offices. Missouri is served by the Region 5 office, room 450, LaSalle Bldg., 15 South 9th Street, Minneapolis, Minnesota 55402 (612/725-2305). Illinois is served by Region IV Director David Friedrichs, room 608, 144 West Lafayette Blvd., Detroit, Michigan 48226 (313/226-2400).

Missouri organizations

Missouri Association for Community Cooperation (MACC) P.O. Box 294 Columbia, Missouri 65201. Contact: John Noller, Marsha Taylor. MACC is the recently organized statewide federation of cooperatives. It includes most of the state's large consumer coops. Whether MACC will develop into a viable organization capable of unifying local efforts and initiating new coops remains to be seen.

TAProot Department of Agricultural Economics, 213A Mumford Hall, University of Missouri, Columbia, Missouri 65211. Contact: C. Brice Ratchford, professor. TAProot, the organization which helped birth MACC, was terminated at the end of last year. However, Prof. Ratchford, a recognized leader in the cooperative movement, still has educational materials and information available as part of the university's Cooperative Extension Service.

Neighborhood Resource Center 724 North Union, St. Louis, Missouri 63108. Contact: Michael McGrath. The center provides information and assistance to individuals interested in community organizing. NRC can provide a list of consumer cooperatives in the St. Louis area.

Groups referred to in articles include:

- **East Wind Community** Route 3, Box 2, Tecumseh, Missouri 65760
- **Independence Community Cooperative** Route 3, #13 Oak Hill Cluster, Independence, Missouri 64050.
- **Citizen/Labor Energy Coalition** P.O. Box 5952, Kansas City, Missouri 64111.
- **Limit Avenue Food Coop** 6254 Delmar Boulevard, University City, Missouri 63130.

Illinois organizations

Consumer Cooperative Center Truman College, 1145 West Wilson, Chicago, Illinois 60640. (312/878-1700 ext. 2120) Contact: David Altschuler. Truman College's coop center provide listings of consumer cooperatives in the Chicago metropolitan area, as well as informational resources about cooperatives.

Hyde Park Cooperative Society 1526 East 55th, Chicago, Illinois 60615. (312/667-1444) Contact: Gladys Scott. Listed because Hyde Park is one of the nation's most established and successful food coops.

Greater Illinois Peoples Cooperative (GIPC—pronounced "gypsy") 719 West O'Brien, Chicago, Illinois 60607. (312/226-5931). The wholesaler to Chicago-area coops, GIPC personnel are in the forefront of the state's cooperative movement.

Over 50 consumer cooperatives exist in Illinois, though some are struggling. Agricultural cooperatives are served by extension services of the University of Illinois.

The Law and Cooperatives

By Janet Robert

The most common legal issues faced by a cooperative involve its choice of name and organizational form, liability for taxes and responsibility for complying with the securities laws. Cooperatives have the same legal concerns of any kind of business, but any legal decision will reflect the unique purposes and structure of the cooperative.

An organization

The two organizational structures most commonly used by cooperatives are unincorporated associations and corporations.

The unincorporated association is any group of adults establishing a common enterprise on an informal basis. They do not need to file organizational documents (articles of association) with the secretary of state, establish a board of directors, keep minutes and records or pay state filing fees. It can cease its operations and dissolve without taking any formal steps. The two main advantages of the association are flexibility and cost savings.

The association ought to have written agreements expressing the intent of the members and the rules by which they will abide (bylaws). It also ought to designate certain individuals as its agents or executive committee and keep complete books of its activities and financial transactions in order to assign duties, meet tax reporting requirements and avoid financial problems.

An unincorporated association does not have an identity separate from that of its members. Control of the association rests in the members who must authorize or consent to all acts to be done in the association's name. Also, each member is personally responsible for liabilities of the association whether or not authorized by him.

Incorporation

A corporation is a legal entity created by the authority of state laws with an identity separate from that of its members or shareholders. Members or shareholders' personal liability is limited to the amount of their membership fees or capital contribu-

tions to the corporation. The corporation's management is centralized in the hands of the board of directors; it can own property, enter into contracts, and be sued in its own name; its existence can be perpetual, independent of the lives of its members.

The disadvantages of the corporate form are the formalities that must be observed, the expenses involved, and additional corporate taxes. Complete records of the corporations' minutes of meetings must be kept, annual reports must be filed with the secretary of state and meetings of members or shareholders and directors must be held regularly. The corporation is also subject to a franchise tax and corporate income tax to which unincorporated associations may not be subject if structured properly.

Whether an organization decides to incorporate or operate as an unincorporated association depends on its individual needs.

Missouri law

Missouri law permits several types of consumer cooperative corporations. They are:

- **Chapter 357 consumer cooperative corporations.** This statute is available to organize consumer cooperative corporations whose members are agriculturalists or which sell agricultural products to their members or non-members, such as food cooperatives.

- **Chapter 351 general business corporations.** This statute is the Chapter under which for-profit corporations may organize. It was not designed for cooperatives, but it does not prohibit use by cooperatives which intend to issue stock. If the articles of incorporation are structured properly, the statute may be used to organize consumer cooperatives. No reference need be made to the cooperative plan in the articles, and all cooperatives provisions can be put in the bylaws. Since this is the most flexible corporation statute it is best suited for organizing non-agricultural consumer cooperatives.

Which chapter, if any, a cooperative chooses depends on its particular purposes and needs. Incidentally, no corporation or association may use the word "cooperative" in its name

unless it is incorporated under Chapter 357.

- **Chapter 355 not-for-profit corporations.** This statute is designed for corporations whose primary purpose is one of the many purposes listed in the statute (such as educational health or recreational) and which does not distribute its income to members. This statute was not designed primarily for cooperatives but does specifically authorize its use by cooperatives that cannot qualify under another statute.

The prohibition on distribution of income is a difficult requirement to meet. But in a cooperative, any revenue that comes into the corporation by way of members or non-member purchases is not income of the corporation, but is their savings held by the corporation on their behalf to be returned at the year's end. Thus, a cooperative which makes patronage refunds equally to non-members as well as members and derives no revenue from sources other than patronage is not in violation of this statutory prohibition.

Securities Laws

Every cooperative that sells stock should be aware of the securities laws. These state and federal laws require the registration of securities offered for sale and prohibits the making of fraudulent or misleading statements about the stock. Securities laws often do not apply to sales of membership stock in cooperatives when the member joins the cooperative for the purpose of obtaining goods and services and not making profits.

Taxes

Cooperatives, whether unincorporated associations or corporations formed under the Chapter 357, 351 or 355, are usually not exempt from taxation. They are subject to federal and state income taxes, although unincorporated associations may be taxed either as a partnership or a corporation. Consumer cooperatives that provide goods for the member's personal use, such as food or housing, are not taxed on the patronage refunds before they are returned to the members as savings. The individual is also not taxed on patronage refunds when they are a return of savings made on purchases for personal, not business use.

Janet Robert is a St. Louis attorney and teaches law at St. Louis University.

Literature

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Snyder, Carol, Co-op Buyers Handbook, St. Louis, 1976; for information contact the author at 1069 Colby, St. Louis, MO 63130.

Blooming Prairie Education/Outreach Project, 1223 S. Riverside Drive, Iowa City, Iowa 52240.

Starting a retail food co-op: Blooming Prairie Warehouse recently published a short book by Singerman on how to turn a pre-order into a retail food cooperative. The topics include assessing membership needs; the first organizational meeting; developing a business plan; financial projections; capitalization; legal issues; and assessing the co-op's survival potential (listed above).

Associated Cooperatives, a cooperative grocery warehouse in the San Francisco Bay Area, has put together a guide for developing retail food co-ops in the absence of a pre-order co-op. Topics include site selection, leases, capitalization, operating projections, and legal considerations. (Legal considerations in Missouri will be different from those in California or other states.)

Singerman, Jesse, Starting Out Right, Blooming Prairie Outreach Project.

Associated Cooperatives, Development Dept., 4801 Central Ave, PO Box 4006, Richmond, CA 94804. The guide for starting retail co-ops is titled Guide for the Development of Retail Grocery Cooperatives; the book by Neptune is titled California's Uncommon Markets. The Development Department has an extensive order list.

Any group that is considering starting a retail food co-op should study some past successes and failures. Neptune's history of retail co-ops in northern California includes an account of the Berkeley co-op, which began as a pre-order in the 1930s and is now the largest retail food co-op in the United States. Puget Consumer Cooperative, the largest of "new" food co-ops and very different in its organization and market strategy from the Berkeley Co-op, has also published a detailed history.

Puget Consumers Cooperative, "PCC Progress Report: Developments in Consumer and Worker Democracy," July 1979, available from PCC, 6504 20th Ave. NE, Seattle, WA 98112

Danforth's recent study, *Dashed Hopes, Broken Dreams*, gives detailed accounts of several retail co-

ops in this century that failed. A number of short papers on such topics as "Opening a Co-op Center in a New Area" and "Financing Consumer Goods Cooperatives" are also available from Danforth.

Danforth, Art, 7306 Brad St., Fall Church, VA, 22042

Managing retail food co-ops: Both the *Food Co-op Handbook* and the book by Cotterill, (listed earlier), have useful sections on store management. Two older manuals on the operational and record-keeping aspects of retail food co-ops, issued by the Cooperative League of the USA and by the Office of Economic Opportunity are helpful and inexpensive. Associated Cooperatives, (listed above), is assembling a series of manual and technical aids for co-op food store managers. Louis Sanner of the Michigan Federal of Food Co-ops has put together an excellent workbook for developing a simple double-entry bookkeeping system for a retail co-op.

CLUSA (Cooperative League of the USA), 1828 L St. NW, Washington, DC 20036. The name of the manual mentioned is "A Manual of Basic Co-op Management," by Stanley Simpson, published 1969. CLUSA has an extensive order list.

Office of Economic Opportunity, Coop Stores and Buying Clubs, Washington, DC, 1972. Available through CLUSA.

Sanner, Louis, Bookkeeping for Food Coops, a Workbook, 1978; pub. Michigan Federation of Food Coops, 727 W. Ellsworth, Ann Arbor, MI 48104. Available through NASCO.

Consumer information and member education: Associated Cooperatives can provide samples of the in-store consumer information programs developed by several retail co-ops in California (listed earlier). The Food Learning Center has produced a series of "Food Fact Sheets" that are useful for co-ops which include "natural" or "whole" foods in their offering. Besides making the books mentioned above available to its members, co-ops can contact their co-op warehouse or federation for newsletters or ideas for education program.

Food Learning Center, 114½ E. 2nd Street, Winona, MN 55987

Blooming Prairie, address above; New Destiny Federation, 401 Watson, Box 30, Fayetteville, AR 72701 (publishes the quarterly journal SWALLOWS); GIPC (Greater Illinois People Cooperative Warehouse), 719 W. O'Brien, Chicago, IL 60607.

Co-ops in other sectors. Some sources of information on co-ops in other economic sectors are: National Association of Housing Coopera-

tives; North American Students of Cooperation (for student housing and retail co-ops); Cooperative League of the USA (for a wide range including legal and medical); and Industrial Cooperative Association (for workers' cooperatives.)

NASCO & CLUSA, see above; National Association of Housing Cooperatives, 2501 M. St. NW Ste 451, Washington DC 20037; Industrial Cooperative Association, 249 Elm St., Somerville, MA 02144.

Organizing

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- What are the available community assets in terms of potential members, leaders, financial resources, facilities and potential productivity capacity?
- Who wants a cooperative—the people who will use it or someone else?
- 2. **ESTABLISH WORKING COMMITTEES.** If a cooperative looks promising after the exploratory meetings, establish working committees. Address the following issues; a separate group for each will broaden participation and spread the work load.
 - *General Survey.* This group would gather and develop firm data on the services to be provided, costs, benefits, and whether a coop is the only or best way to secure the services.
 - *Membership.* This group would evaluate realistic size of potential membership and volume of business.
 - *Facilities.* Even a simple pre-order cooperative needs some place to operate. This group should match the size and type of cooperative with facilities and equipment needed and available.
 - *Finance.* This group should determine capital requirements for facilities, equipment, and operations and determine possible means of securing the capital.
 - *Legal Documents.* This committee should consider articles of incorporation, bylaws, and any necessary licenses or permits.

The chairperson of the working groups might serve as the steering or coordinating committee.

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